Amendment dated December 5, 2017
to the Official Statement dated November 21, 2017 (the "Official Statement")
relating to the primary offering and sale of

$156,305,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2017J

CUSIP numbers for the two term bond maturities of State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2017J maturing on March 15, 2042 and in the amount of $40,000,000 and bearing interest at 4.000% is 19668QJF3 and in the amount of $59,715,000 bearing interest at 5.250% is 19668HQ1.

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

NEW ISSUE – Book-Entry Only

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

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of Base Rent paid by the State which is designated and paid as interest on the Series 2017J-K Certificates (including any original issue discount properly allocable to the owner of a Series 2017J-K Certificate) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing Colorado statutes, the interest received by the Owners of the Series 2017J-K Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of Series 2017J-K Certificates. See "TAX MATTERS" herein.

$156,305,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY CERTIFICATES OF PARTICIPATION TAX-EXEMPT SERIES 2017J

$115,790,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY REFUNDING CERTIFICATES OF PARTICIPATION TAX-EXEMPT SERIES 2017K

Dated: Date of Delivery

Due: March 15, as shown on the inside cover

The Series 2017J Certificates and Series 2017K Certificates (collectively, the "**Series 2017J-K Certificates**") are being executed and delivered as fully registered certificates in denominations of $5,000, or any integral multiple thereof. The Series 2017J-K Certificates bear interest at the rates set forth herein, payable on March 15, 2018, and semiannually thereafter on March 15 and September 15 of each year, to and including the maturity dates shown on the inside cover hereof (unless the Series 2017J-K Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2017J-K Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), securities depository for the Series 2017J-K Certificates.

DTC initially will act as securities depository for the Series 2017J-K Certificates. Individual purchases will be made in book-entry form only. Purchasers of the Series 2017J-K Certificates will not receive physical delivery of certificates, all as more fully described herein. Payments on the Series 2017J-K Certificates will be made by the Trustee, as paying agent, to DTC for disbursements to its participants for subsequent disbursement to the beneficial owners of the Series 2017J-K Certificates, as more fully described herein. Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Glossary included in the form of 2017J Supplemental Indenture attached as **Appendix B** to this Official Statement.

Maturity and interest rate information for the Series 2017J-K Certificates is located on the inside cover page of this Official Statement.

The Series 2017J-K Certificates will be executed and delivered by ZB, National Association dba Zions Bank, Denver, Colorado, as trustee (the "**Trustee**") pursuant to and secured by a Master Trust Indenture (the "**Master Indenture**") dated as of August 12, 2009 as supplemented and amended by several supplemental indentures (described herein) and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2017J-K Certificates are not the only Certificates to be executed and delivered pursuant to the Indenture. Several series of prior Certificates (described herein) have been executed and delivered pursuant to the Indenture (the "**Prior Certificates**").The Prior Certificates and additional series of certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under previously executed annually renewable lease purchase agreements (described herein) (the "**Prior Leases**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (The Prior Leases, the lease purchase agreements to be entered into in connection with the Series 2017J-K Certificates and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**"). Pursuant to applicable statutes, the State will pay Rent under the Leases, subject to the terms of the Leases, from moneys in the Public School Capital Construction Assistance Fund (the "**Assistance Fund**"). In accordance with such statutes, the Assistance Fund is funded from revenues received by the State from: (i) a portion of rental income and royalties derived from State school lands; (ii) a portion of the State lottery proceeds; (iii) payments of Matching Moneys from certain K-12 public school institutions, including charter schools, for which the projects are financed; (iv) excise tax revenue from marijuana sales; and (v) if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases, any moneys that the Colorado General Assembly transfers to the Assistance Fund from any other legally available sources, including the State General Fund.

The net proceeds of the Certificates have been and will be used to pay the costs of projects for K-12 public school institutions (the "**Participating K-12 Institutions**") that are reviewed, prioritized and recommended by the Public School Capital Construction Assistance Board (the "**Assistance Board**") for approval by the State Board of Education and the State's Capital Development Committee to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Indenture. The net proceeds of the Series 2017J Certificates will be used to pay the costs of certain projects approved by the State (the "**Series 2017J Projects**") for certain Participating K-12 Institutions as further described herein, to make a deposit to the State Public Financing Cash Fund, and to pay the costs of issuance of the Series 2017J Certificates. The net proceeds of the Series 2017K Certificates will be used to pay the costs of refunding and defeasing certain Prior Certificates (described herein) and to pay the costs of issuance of the Series 2017K Certificates.

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

The Series 2017J-K Certificates are subject to redemption prior to their stated maturity date, as more fully described herein.

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

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

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

The Series 2017J-K Certificates are offered when, as and if delivered, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Ballard Spahr LLP, Denver, Colorado, has acted as counsel to the Underwriters. First Southwest, a Division of Hilltop Securities, Denver, Colorado, have acted as municipal advisor to the State in connection with the offering and execution and delivery of the Series 2017J-K Certificates. It is expected that the Series 2017J-K Certificates will be executed and available for delivery through the facilities of DTC, on or about December 7, 2017.

RBC CAPITAL MARKETS, LLC **MORGAN STANLEY**

BofA MERRILL LYNCH **GEORGE K. BAUM & COMPANY** **JP MORGAN** **STIFEL**

Dated: November 21, 2017.

MATURITY SCHEDULES
(CUSIP© 6-digit issuer number: 19668Q)

$156,305,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2017J

Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP©
2032	$30,270,000	5.000%	2.750%[1]	HJ7
2033	1,435,000	4.000	3.100[1]	HK4
2034	1,485,000	3.000	3.190	HL2
2035	1,535,000	4.000	3.200[1]	HM0
2036	1,590,000	3.125	3.280	HN8
2037	20,275,000	5.000	3.010[1]	HP3

$40,000,000 4.000% Term Bond due March 15, 2042, Yield 3.400%[1], CUSIP© Issue No. HQ1
$59,715,000 5.250% Term Bond due March 15, 2042, Yield 3.050%[1], CUSIP© Issue No. JF3

$115,790,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
REFUNDING CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2017K

Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP©	Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP©
2018	$15,750,000	2.000%	1.130%	HR9	2025	$7,535,000	5.000%	1.990%	HY4
2019	9,005,000	4.000	1.350	HS7	2026	7,905,000	5.000	2.120	HZ1
2020	5,930,000	5.000	1.450	HT5	2027	8,295,000	5.000	2.230	JA4
2021	6,225,000	5.000	1.540	HU2	2028	8,700,000	5.000	2.380[1]	JB2
2022	6,525,000	5.000	1.630	HV0	2029	9,130,000	5.000	2.520[1]	JC0
2023	6,845,000	5.000	1.770	HW8	2030	9,580,000	5.000	2.620[1]	JD8
2024	7,180,000	5.000	1.890	HX6	2031	7,185,000	5.000	2.700[1]	JE6

---

[1] Priced to the first optional redemption date on March 15, 2027.

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 2017J-K 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 2017J-K 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 2017J-K 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 2017J-K Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Series 2017J-K Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2017J-K 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 2017J-K Certificates and the terms of the offering, including the merits and risks involved. The Series 2017J-K 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 2017J-K CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2017J-K CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2017J-K CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT

OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

* * *

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

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE" and in **Appendices E, F, G, I** 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.

TABLE OF CONTENTS

APPENDICES

(THIS PAGE INTENTIONALLY LEFT BLANK)

OFFICIAL STATEMENT

$156,305,000	$115,790,000
STATE OF COLORADO	**STATE OF COLORADO**
BUILDING EXCELLENT SCHOOLS TODAY	**BUILDING EXCELLENT SCHOOLS TODAY**
CERTIFICATES OF PARTICIPATION	**REFUNDING CERTIFICATES OF PARTICIPATION**
TAX-EXEMPT SERIES 2017J	**TAX-EXEMPT SERIES 2017K**

INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of (i) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2017J (the "**Series 2017J Certificates**" and (ii) State of Colorado Building Excellent Schools Today Refunding Certificates of Participation, Tax-Exempt Series 2017K (the "**Series 2017K Certificates**," and together with the Series 2017J Certificates, the "**Series 2017J-K Certificates**").

The Series 2017J-K Certificates are being executed and delivered by ZB, National Association dba Zions Bank, Denver, Colorado, as trustee (the "**Trustee**") pursuant to a Master Trust Indenture, dated as of August 12, 2009 (the "**Master Indenture**") as supplemented and amended by a Series 2009A Supplemental Indenture, dated as of August 12, 2009 (the "**2009A Supplemental Indenture**"), a Series 2010B-C Supplemental Trust Indenture, dated as of March 16, 2010 (the "**2010B-C Supplemental Indenture**"), a Series 2010D-F Supplemental Trust Indenture, dated as of December 16, 2010 (the "**2010D-F Supplemental Indenture**"), an October 2012 Supplemental Trust Indenture, dated as of October 31, 2012 (the "**October 2012 Supplemental Indenture**"), a Series 2011G Supplemental Trust Indenture dated as of December 8, 2011 (the "**2011G Supplemental Indenture**"), a Series 2012H Supplemental Trust Indenture dated as of December 6, 2012 (the "**2012H Supplemental Indenture**"), a Series 2013I Supplemental Trust Indenture dated December 9, 2013 (the "**2013I Supplemental Indenture**"), a Series 2015 Supplemental Trust Indenture dated as of February 12, 2015 (the "**2015 Supplemental Indenture**"), a Series 2017J Supplemental Trust Indenture dated as of the date of delivery of the Series 2017J Certificates (the "**2017J Supplemental Indenture**") and a Series 2017K Supplemental Trust Indenture dated as of the date of delivery of the Series 2017K Certificates (the "**2017K Supplemental Indenture**"). (The Master Indenture, as supplemented and amended by the 2009A Supplemental Indenture, 2010B-C Supplemental Indenture, 2010D-F Supplemental Indenture, 2011G Supplemental Indenture, October 2012 Supplemental Indenture, 2012H Supplemental Indenture, 2013I Supplemental Indenture, 2015 Supplemental Indenture, 2017J Supplemental Indenture, 2017K Supplemental Indenture and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**").

The Series 2017J-K Certificates are not the only Series of Certificates (as defined below) to be executed and delivered pursuant to the Indenture. The (a) State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2009A (the "**Series 2009A Certificates**") in the original aggregate principal amount of $87,145,000; (b) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B (the "**Series 2010B Certificates**") in the original aggregate principal amount of $85,715,000; (c) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2010C (the "**Series 2010C Certificates**") in the original aggregate principal amount of $13,970,000; (d) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Qualified School Construction Series 2010D (the "**Series 2010D Certificates**") in the original aggregate principal of amount of

$95,690,000; (e) State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010E (the "**Series 2010E Certificates**") in the original aggregate principal amount of $119,840,000; (f) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2010F (the "**Series 2010F Certificates**") in the original aggregate principal amount of $2,000,000; (g) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2011G (the "**Series 2011G Certificates**") in the original aggregate principal amount of $146,635,000; (h) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2012H (the "**Series 2012H Certificates**") in the original aggregate principal amount of $195,965,000 and (i) State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2013I (the "**Series 2013I Certificates**") in the original aggregate principal amount of $89,510,000 have been previously executed and delivered pursuant to the Indenture. The Series 2011G Certificates will be defeased and will no longer be outstanding as of the date of execution and delivery of the Series 2017J-K Certificates. The Series 2009A Certificates, the Series 2010B Certificates, the Series 2010C Certificates, the Series 2010D Certificates, the Series 2010E Certificates, the Series 2010F Certificates, the Series 2012H Certificates and Series 2013I Certificates are collectively referred to herein as the "**Prior Certificates**"). The Prior Certificates are currently outstanding in the aggregate principal amount of $557,920,000. The Prior Certificates and the Series 2017J-K Certificates and additional Series of Certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2009A Lease Purchase Agreement, dated as of August 12, 2009 (the "**2009A Lease**"), the Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 (the "**2010B-C Lease**"), the Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "**2010D-F Lease**"), the Series 2011G Lease Purchase Agreement dated as of December 8, 2011, as amended, restated and superseded by the 2017K Lease (defined below), the Series 2012H Lease Purchase Agreement dated as of December 6, 2012 (the "**2012H Lease**"), the Series 2013I Lease Purchase Agreement dated as of December 9, 2013 (the "**2013I Lease**"),the Series 2015 Lease Purchase Agreement dated as of February 12, 2015 (the "**2015 Lease**"), the Series 2017J Lease Purchase Agreement dated as of the date of delivery of the Series 2017J Certificates (the "**2017J Lease**"), the Series 2017K Amended and Restated Lease Purchase Agreement dated as of the date of delivery of the Series 2017K Certificates (the "**2017K Lease**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado (the "**State**"), acting by and through the State Treasurer (the "**State Treasurer**"), as lessee. The 2009A Lease, the 2010B-C Lease, the 2010D-F Lease, the 2012H Lease, the 2013I Lease and the 2015 Lease are collectively referred to herein as the "**Prior Leases**." The Prior Leases, the 2017J Lease, the 2017K Lease and such other annually renewable lease-purchase agreements are collectively referred to as the "**Leases**." Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached in the form of the 2017J Supplemental Indenture attached as **Appendix B** hereto.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2017J-K Certificates to potential investors is made only by means of the entire Official Statement.

Changes From Preliminary Official Statement

This Official Statement contains changes made to the Preliminary Official Statement dated November 16, 2017 (the "Preliminary Official Statement"). Such changes reflect (i) pricing information; (ii) redemption terms; and (iii) the removal of the Swallows Charter Academy as a Series 2017J Participating K-12 Institution. As stated in the Preliminary Official Statement, funding of the project for

Swallows Charter Academy was contingent upon satisfaction of certain conditions and if such conditions were not met, the State Board would be required to allocate funds to another qualified project or projects for a public K-12 institution. One of the conditions that had to be met was that a project for Hayden School District RE-1 ("Hayden") prioritized by the State Board above the Swallows Charter Academy project would need to become ineligible for financial assistance due to the inability of Hayden to obtain electoral authorization for required matching money bonds. At the time the Preliminary Official Statement was posted, it was unclear whether Hayden would be able to raise its required matching moneys due to the election results being so close that an automatic recount was triggered. The recount resulted in a determination that the Hayden matching money bonds were approved by the electors. Despite the fact that the proceeds of the Series 2017J Certificates are not sufficient to fund the Hayden project and therefore the Hayden project is not included, the Swallows Charter Academy project is no longer eligible to be funded from such proceeds either. Accordingly, all other references to the Swallows Charter Academy have been removed from this Official Statement and the matching moneys attributable to the Swallows Charter Academy ($247,362 in cash) have been deducted in every instance in which such amount was included in sums provided in the Preliminary Official Statement. Further, the forms of 2017J Supplemental Indenture and 2017J Lease have been modified to reflect the exclusion of Swallows Charter Academy.

Authority for Delivery

The Series 2017J-K Certificates are being delivered pursuant to the Indenture, certain provisions of the Internal Revenue Code of 1986, as amended (the "**Code**") described herein and under authority granted by the laws of the State, including certain statutes further described herein. Pursuant to House Bill 08-1335 and Senate Bill 09-257, each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended (the "**Act**"), the General Assembly has created the Public School Capital Construction Assistance Board (the "**Assistance Board**") within the State Department of Education (the "**Department**") and provided that the Assistance Board may authorize the execution by the State Treasurer of lease-purchase agreements and related instruments in order to fund the costs of certain capital construction projects (the "**Projects**") for K-12 public school institutions (the "**Participating K-12 Institutions**") that are reviewed, prioritized and recommended by the Assistance Board for approval by the State Board of Education (the "**State Board**") and a Capital Development Committee established by statute (the "**Capital Development Committee**") for school districts, boards of cooperative services, charter schools or the Colorado School for the Deaf and Blind in the State, to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Indenture. The 2017J Lease is being entered by the State in order to fund certain Projects approved by the State Board and Capital Development Committee in June of 2017 (collectively, the "**2017 State Approval**") as described in "The Series 2017J Projects" under this caption for the Series 2017J Participating K-12 Institutions in accordance with the Act. See "The Program" and "The Series 2017J Participating K-12 Institutions" under this caption. See also "PLAN OF FINANCING – The Program" for further information about the Act.

The Assistance Fund

The Series 2017J-K Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly to make payments under the Leases, as described in "Sources of Payment for the Series 2017J-K Certificates" under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from the Public School Capital Construction Assistance Fund (the "**Assistance Fund**"). In accordance with the Act, the Assistance Fund will be partially funded from a portion of rental income and royalties derived from State school lands, from Matching Moneys (as defined below), a portion of State lottery proceeds, excise tax revenues from marijuana sales, and if the amount in the Assistance Fund is insufficient to pay the full amount due to be made under the Leases, any moneys that the Colorado General Assembly transfers from any other legally available sources, including the State General Fund. The Act provides that matching moneys paid to the State by Participating K-12 Institutions in amounts approved by the State ("**Matching Moneys**") as a condition to the financial assistance provided to Participating K-12 Institutions are to be deposited in the Assistance Fund. The obligation, if any, of a Participating K-12 Institution to pay Matching Moneys to the State have been or will be satisfied by (a) cash, or (b) a bond issued by a Participating K-12 Institution or its chartering entity and delivered to the State (a "**Matching Moneys Bond**"). **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts are available to be appropriated by the State to pay principal and interest on the Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.** See **Appendix G** for a description of the Assistance Fund.

In 2013, the Act was amended to require that the Assistance Board shall ensure that effective June 30, 2013 and each June 30 thereafter, the balance of the Assistance Fund is at least equal to the total amount of payments to be made by the State during the next Fiscal Year under the terms of any lease purchase agreement entered into pursuant to the Act less the amount of any Matching Moneys (as described below under "**Matching Moneys**") and federal moneys (such as the Federal Direct Payments described under "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments) to be received for the purpose of making the payments.

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

The Program

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

The 2017J Lease is being entered into by the State in order to fund certain Projects as further described in "The Series 2017J Projects" under this caption (the "**Series 2017J Projects**"). The Series 2017K Lease is being entered into by the State in order to refund and defease the Series 2011G Certificates which funded certain projects described in **Appendix H** hereto as the "**Series 2011G Projects**." The Master Indenture permits the execution of other Leases or amendments to the Leases and the execution and delivery of additional Series of Certificates under the Master Indenture, in order to fund additional Projects under the Program. See "THE SERIES 2017J-K CERTIFICATES – Additional Series of Certificates." The Series 2011G Certificates and the Prior Certificates were previously executed and delivered pursuant to the Indenture in order to fund certain projects as further described under "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and **Appendix H** – "LEASED PROPERTY RELATING TO PRIOR CERTIFICATES" and the Prior Certificates are paid and secured on parity with the Series 2017J-K Certificates and any future Certificates executed and delivered pursuant to the Master Indenture. The State could choose to fund future Projects through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Series 2017J-K Certificates.

The execution by the State of future Leases for additional Projects would require authorization by the State for any Projects not approved in the 2017 State Approval and by the Colorado General Assembly if the aggregate Rent payable under such future Leases, together with the Rent on, the 2017J Lease and the Prior Leases, would cause the maximum aggregate annual lease payments permitted by the Act to be exceeded. For a description of the Program and such maximum aggregate annual lease payments, see "PLAN OF FINANCING – The Program."

Purposes of the Series 2017J Certificates

Proceeds from the sale of the Series 2017J Certificates will be used to finance the costs of the Series 2017J Projects for the Series 2017J Participating K-12 Institutions, as more fully described in "The Series 2017J Participating K-12 Institutions" under this caption and "PLAN OF FINANCING – The Series 2017J Projects and Series 2017J Participating K-12 Institutions." Proceeds of the Series 2017J Certificates will also be used to fund a deposit to the State Public Financing Cash Fund and to pay the costs of issuance associated with the Series 2017J Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2017J-K Certificates.

Purposes of the Series 2017K Certificates

Proceeds from the sale of the Series 2017K Certificates will be used to finance the cost of refunding and defeasing the 2011G Certificates (the "Series 2017K Refunding Project") and to pay the costs of issuance associated with the Series 2017K Certificates.

The Series 2017J Participating K-12 Institutions

Proceeds of the Series 2017J-K Certificates are expected to be used to fund the Series 2017J Projects for the benefit of the following entities in Colorado (collectively, the "**Series 2017J Participating K-12 Institutions**"): (1) Brush School District RE-2J; (2) Del Norte School District C-7; (3) Mancos School District RE-6; and (4) Mountain Valley School District RE-1. See "PLAN OF FINANCING – The Series 2017J Projects and Series 2017J Participating K-12 Institutions."

The Series 2017J Projects

The Series 2017J Projects involve various capital projects for the Series 2017J Participating K-12 Institutions approved in the 2017 State Approval, at certain funding levels. In accordance with the terms of the 2017J Subleases between the State and the Series 2017J Participating K-12 Institutions, each of the Series 2017J Participating K-12 Institutions agrees to construct the respective projects, and in accordance with the 2017J Lease, the State has agreed to cause the projects of the Series 2017J Participating K-12 Institutions that will execute and deliver 2017J Subleases to be constructed by causing such Series 2017J Participating K-12 Institution to comply with its related 2017J Sublease, but no failure of the related Series 2017J Participating K-12 Institution to comply with the relevant provisions of its 2017J Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "PLAN OF FINANCING – The Series 2017J Projects and Series 2017J Participating K-12 Institutions" for further information about the Series 2017J Projects. Projects other than the Series 2017J Projects have been funded with the proceeds of the Series 2011G Certificates and the Prior Certificates and other projects may be funded with proceeds of additional Series of Certificates executed and delivered under the Master Indenture relating to a separate Lease or an amendment to the 2017J Lease or a Prior Lease. However, such additional Series of Certificates will require further authorization by the Colorado General Assembly if the aggregate Base Rent payable under the 2017J Lease, the Prior Leases and the additional Lease or an amendment to the 2017J Lease or a Prior Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payment permitted by the Act. It is anticipated that after the 2017J-K Certificates are executed and delivered, the currently imposed annual lease payment limits would allow funding of future projects through the execution and delivery of additional Series of Certificates without further authorization by the Colorado General Assembly. See "Terms of the Series 2017J-K Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

The Leased Property

Each of the Series 2017J Participating K-12 Institutions is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2017J-K Certificates (the "**2017J Site Leases**") pursuant to which, in each case, certain land owned (or acquired prior to or contemporaneously with the execution and delivery of the Series 2017J-K Certificates) by the respective Series 2017J Participating K-12 Institution and the buildings, structures and improvements now or hereafter located on such land (collectively, the "**2017J 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 2017J Leased Property and the **2017K Leased Property** (previously the 2011G Leased Property), collectively with the additional Leased Property which has already or may in the future be leased under the 2017K Lease, the Prior Leases, additional Leases or amendments to the Prior Leases or the 2017J Lease is referred to herein as the "**Leased Property**." The 2017J Leased Property and the Series 2017K Leased Property are being leased by the Trustee to the State, pursuant to the 2017J Lease and the 2017K Lease, respectively, and the State is subleasing the 2017J Leased Property and 2017K Leased Property to the respective Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2017J-K Certificates (the "**2017J Subleases**" and the 2011G Subleases, respectively). Any additional Leased Property which the State has already chosen or chooses in the future to lease under the Prior Leases or additional Leases or amendments to the Prior Leases, the 2017J Lease or the 2017K Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2017J-K Certificates on a parity basis. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property." Upon any decision of the State not to appropriate and thereby terminate the 2017J Lease, the 2017K Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2017J Leased Property and the 2017K Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the Participating K-12 Institutions which are Sublessees (and, in the case of charter schools, their chartering school entity) will have the option to purchase a portion of their respective Leased Property under the respective Subleases upon certain conditions as further described herein. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Sublessee's Purchase Option."

Terms of the Series 2017J-K Certificates

Payments

Principal of and premium, if any, on the Series 2017J-K Certificates is payable when due upon surrender of the Series 2017J-K Certificates at the office of the Trustee. Interest on each Series 2017J-K 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 2017J-K Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof.

Redemption

The Series 2017J-K Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under "THE SERIES 2017J-K CERTIFICATES – Redemption."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2017J-K Certificates and the Prior Certificates secured by the Trust Estate on parity with the Series 2017J-K Certificates and the Prior Certificates without notice to or approval of the owners of the Outstanding Series 2017J-K Certificates or Prior Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. For a description of these conditions, see "THE SERIES 2017J-K CERTIFICATES – Additional Series of Certificates." If any additional Certificates are executed and delivered, the Prior Leases, 2017J Lease or 2017K Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates. It is anticipated that after the 2017J-K Certificates are executed and delivered, the currently imposed annual lease payment limits would allow funding of future projects through the execution and delivery of additional Series of Certificates. See "Terms of the Series 2017J-K Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

For a more complete description of the Series 2017J-K Certificates, the Indenture pursuant to which such Series 2017J-K Certificates are being executed and delivered, the 2017J Lease, the 2017J Site Leases and the 2017J Subleases, see "Forms of Master Indenture, 2017J Supplemental Indenture, 2017K Supplemental Indenture, 2017J Lease, 2017K Lease, 2017J Site Lease and 2017J Sublease" attached hereto in **Appendix B**.

Sources of Payment for the Series 2017J-K Certificates

The Series 2017J-K Certificates are payable solely from annually appropriated Base Rent, other Lease Revenues received by the Trustee pursuant to the Leases and other moneys in the Trust Estate in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF PAYMENT." The Leases provide that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term shall, subject only to the other terms of the Leases, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the

State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

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

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in the Leases, including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of the Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) under the respective Subleases. Each such Participating K-12 Institution (and, in the case of charter schools, the chartering entity) has the right under the respective Sublease to purchase all of the Leased Property subject to such Sublease following the occurrence of an Event of Default or Event of Nonappropriation under the Leases, by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. "Attributable Certificates" are defined in Section 9.01 of the form of Sublease attached as **Appendix B** hereto. 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 2017J-K Certificates as described in the form of Master Indenture attached hereto in **Appendix B**. There can be no assurance that the Participating K-12 Institutions will exercise their right to purchase the Leased Property or that such proceeds will be sufficient to pay all of the principal due on the Series 2017J-K 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 2017J-K CERTIFICATES – State's Purchase Option Price." The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

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

Certain Risks to Owners of the Series 2017J-K Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2017J Lease and 2017K Lease), the value of the Leased Property and the market price of the Series 2017J-K 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 2017J-K Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2017J-K Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" herein. A form of the Continuing Disclosure Undertaking is attached hereto as **Appendix C**.

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared and compiled in June 2017 by Development Research Partners for use by the State. See **Appendix I** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

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

Other Information

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

The quotations from, and summaries and explanations of, the statues, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Act) may be obtained during the offering period, upon request to the Underwriters at RBC Capital Markets, LLC, as Representative of the Underwriters, 1801 California Street, Suite 3850, Denver, Colorado 80202, Attention: Dan O'Connell, telephone number: (303) 595-1222.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the Series 2017J Participating K-12 Institutions and the purchasers or holders of any of the Series 2017J-K Certificates.

PLAN OF FINANCING

The Program

The Series 2017J-K Certificates are being delivered pursuant to the Indenture and under authority granted by the Act. The Act created the Assistance Fund and authorizes the State Treasurer to enter into Leases for Projects approved by the State, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under the Leases is less than the maximum total amount of annual lease payments set forth below for the applicable Fiscal Year. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under the Leases is greater than one-half of the maximum amount of annual lease payments set forth below for the applicable Fiscal Year, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys must be at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under the Leases that exceed one-half of the maximum total amount of annual lease payments set forth below. See **Appendix G** – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND – Matching Moneys," for a description of the Matching Moneys expected to be credited to the Assistance Fund. The maximum total amount of annual lease payments (the "**Maximum Annual Lease Payments**") referenced above is:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-10 Fiscal Year;

(iii) $60 million for the 2010-11 Fiscal Year;

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter through the 2015-16 Fiscal Year;

(v) $90 million for the 2016-17 Fiscal Year; and

(vi) $100 million for the 2017-18 Fiscal Year and for each Fiscal Year thereafter.

For example, if the total amount of annual lease payments payable by the State in Fiscal Year 2018-19 was $55 million, the State would need to expect at the time it enters into a Lease that at least $5 million in aggregate Matching Moneys would be credited to the Assistance Fund in Fiscal Year 2018-19.

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

The annual lease payments due under the Prior Leases, the 2017J Lease and the 2017K Lease and payable by the State in any Fiscal Year during the term of such Leases, net of the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys and net of the Federal Direct

Payments expected to be received by the Trustee on behalf of the State pursuant to the Indenture, are expected to be less than one-half of the Maximum Annual Lease Payments set forth above for Fiscal Year 2017-18 and thereafter. For purposes of the immediately preceding sentence, the impact of sequestration on Federal Direct Payments in Fiscal Year 2017-2018 has been taken into account by reducing the amount of Federal Direct Payments expected to be credited to the Assistance Fund by the 6.6% sequestration reduction percentage. See "BASE RENT" and "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments."

The Colorado General Assembly has established the Program in order to implement the Act. See "INTRODUCTION – The Program." In June 2017, the State approved certain projects for certain K-12 Institutions as Projects for funding under the Program. Certain of these Projects are being funded as the Series 2017J Projects. See "The Series 2017J Projects and Series 2017J Participating K-12 Institutions" below for a description of the Series 2017J Projects. The 2017J Lease and Series 2017K Lease are the seventh and eighth lease-purchase agreements, respectively, being entered by the State in order to finance Projects under the Program. Each Series of Certificates evidence undivided interests in the rights to receive certain payments by the State under the related Lease. The following table shows the aggregate principal amount outstanding of each Series of Prior Certificates after the execution and delivery of the Series 2017J-K Certificates:

Series(1)	Aggregate Principal Amount Outstanding
Series 2009A Certificates	$41,795,000
Series 2010B-C Certificates	83,070,000
Series 2010D-F Certificates	164,305,000
Series 2012H Certificates	182,475,000
Series 2013I Certificates	86,275,000
Total	$557,920,000

(1) The Series 2011G Certificates currently outstanding in the principal amount of $120,225,000 will be defeased and will no longer be outstanding as of the execution and delivery of the Series 2017J-K Certificates.

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 2017J-K 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 Series 2017J-K Certificates. The execution by the State of future leases or an amendment to the 2017J Lease or a Prior Lease for additional Projects, would require authorization by the State and would require additional authorization from the General Assembly to the extent that Rent under the 2017J Lease, Prior Leases and such additional leases would exceed the annual lease payment limits described above. It is anticipated that after the 2017J-K Certificates are executed and delivered, the currently imposed annual lease payment limits would allow funding of future projects through the execution and delivery of additional Series of Certificates.

Sources and Uses of Funds

The sources and uses of funds relating to the Series 2017J-K Certificates are set forth in the following table.

	Series 2017J Certificates	Series 2017K Certificates
SOURCES OF FUNDS:		
Par amount	$156,305,000	$115,790,000
Premium	21,344,412	16,938,517
TOTAL SOURCES OF FUNDS	$177,649,412	$132,728,517
USES OF FUNDS		
Deposit to Series 2017J Project Accounts of Capital Construction Fund	$176,421,362	--
Deposit to Series 2017K Defeasance Escrow Account	--	$132,166,164
For costs of issuance, including Underwriters' discount[(1)]	1,228,050	562,353
TOTAL USES OF FUNDS	$177,649,412	$132,728,517

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

The Series 2017J Projects and Series 2017J Participating K-12 Institutions

The following table describes the Series 2017J Participating K-12 Institutions and Series 2017J Projects expected to be funded with proceeds of the Series 2017J-K Certificates, moneys in the Assistance Fund in an amount equal to Matching Moneys to be deposited therein when received from such Series 2017J Participating K-12 Institution and total cost of the related Series 2017J Project.

Series 2017J Projects and Series 2017J Participating K-12 Institutions

Series 2017J Participating K-12 Institution	Series 2017J Project Description	Matching Moneys(1)	Total Project Cost
Brush School District RE-2J	Middle School Replacement and High School Renovation 171,211 SF w/56 classrooms	$32,444,245	$ 60,081,935
Del Norte School District C-7	New K-12 School 110,000 SF w/45 classrooms	17,913,517	45,082,105
Mancos School District RE-6	K-12 School Renovations 152,000 SF w/6 classrooms	4,978,774	24,748,904
Mountain Valley School District RE-1	New PK-12 School 59,206 SF w/25 classrooms	3,724,699	30,796,951
Total		$59,061,235	$160,709,895

(1) The respective amounts shown on this chart as Matching Moneys are required to be funded as described in **Appendix G** hereto by the related Series 2017J Participating K-12 Institution and are to be deposited into the Assistance Fund when received. See the form of 2017J Sublease "– Costs of Sublessee's Project" in **Appendix B** attached hereto. **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2017J-K Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit in the Assistance Fund, are available to be appropriated by the Colorado General Assembly to pay principal and interest on the Series 2017J-K Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects or projects that are not financed with Certificates. See Appendix G for a description of the Assistance Fund.**

Under the 2017J Subleases, the Series 2017J Participating K-12 Institutions will agree to construct and use the respective Series 2017J Projects in a manner which satisfies the restrictions of the Code and the Act. In accordance with the terms of the 2017J Subleases between the State and the Series 2017J Participating K-12 Institutions, each of the Series 2017J Participating K-12 Institutions agrees to construct the respective facilities. In accordance with the 2017J Lease, the State has agreed to cause such Projects to be constructed by causing a Series 2017J Participating K-12 Institution to comply with its related 2017J Sublease, but no failure of the related Series 2017J Participating K-12 Institution to comply with the relevant provisions of its 2017J Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – The 2017J Subleases and Matching Moneys" and "CERTAIN RISK FACTORS – Actions under the 2017J Subleases."

The Series 2017K Refunding Project

A portion of the net proceeds of the Series 2017K Bonds are to be used to finance the cost of refunding and defeasing the 2011G Certificate (the "Refunded Certificates") for the purpose of achieving present value savings and other economies. Such portion is to be deposited in an escrow account and applied to call for redemption and prepay the Refunded Certificates on March 15, 2021.

Series	Original Maturity (March 15)	Principal Outstanding Prior to Refunding	Refunded Principal	Remaining Principal
2011G	2018	$1,470,000	$1,470,000	$0
2011G	2018	3,455,000	3,455,000	0
2011G	2019	5,120,000	5,120,000	0
2011G	2020	260,000	260,000	0
2011G	2020	5,110,000	5,110,000	0
2011G	2021	5,630,000	5,630,000	0
2011G	2022	435,000	435,000	0
2011G	2022	5,470,000	5,470,000	0
2011G	2023	1,885,000	1,885,000	0
2011G	2023	4,300,000	4,300,000	0
2011G	2024	6,420,000	6,420,000	0
2011G	2025	6,735,000	6,735,000	0
2011G	2026	75,000	75,000	0
2011G	2026	6,990,000	6,990,000	0
2011G	2027	7,410,000	7,410,000	0
2011G	2028	7,775,000	7,775,000	0
2011G	2029	1,500,000	1,500,000	0
2011G	2029	6,655,000	6,655,000	0
2011G	2030	1,500,000	1,500,000	0
2011G	2030	7,045,000	7,045,000	0
2011G	2032	34,985,000	34,985,000	0

The Series 2011G Participating K-12 Institutions and the Series 2011G Projects that were funded in part by the Refunded Certificates are described in **Appendix H** hereto.

Verification of Mathematical Computations

Causey Demgen & Moore Inc. ("Causey"), a firm of independent public accountants, will delivery to the State, on or before the settlement date of the Series 2017K Certificates, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the federal securities, to pay, when due, the maturing principal of and interest on the Refunded Certificates.

THE SERIES 2017J-K CERTIFICATES

Generally

General information describing the Series 2017J-K 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 2017J Site Lease, the 2017J Lease, the 2017K Lease, the 2017J Sublease, the Master Indenture, the 2017J Supplemental Indenture and the 2017K Supplemental Indenture, all as attached hereto in **Appendix B** hereto.

The Series 2017J-K Certificates will be dated as the date of delivery and will mature and bear interest (calculated based on a 360-day year of twelve 30-day months) payable on March 15, 2018, and semiannually thereafter on March 15 and September 15 of each year and as further described on the inside cover page of this Official Statement. Principal and premium, if any, is payable when due upon surrender of the Series 2017J-K Certificates at the office of the Trustee. The Series 2017J-K Certificates will be executed and delivered as fully registered certificates in the denomination of $5,000 or any integral multiple thereof.

Book-Entry System

DTC will act as securities depository for the Series 2017J-K Certificates. The Series 2017J-K Certificates will be executed and delivered as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be executed and delivered for each maturity of the Series 2017J-K Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2017J-K Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017J-K Certificates on DTC's records. The ownership interest of each actual purchaser ("**Beneficial Owner**") of each Series 2017J Certificate is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017J-K Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in Series 2017J-K Certificates, except in the event that use of the book-entry system for the Series 2017J-K Certificates is discontinued.

To facilitate subsequent transfers, all Series 2017J-K 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 2017J-K Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017J-K Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2017J-K Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2017J-K Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2017J-K Certificates may wish to ascertain that the nominee holding the Series 2017J-K Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017J-K Certificates within an issue are being redeemed, DTC's practice is to determine by pro rata the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017J-K Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust or the Lessee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017J-K Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption proceeds on the Series 2017J-K Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Trustee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017J-K Certificates at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017J-K Certificates are required to be printed and delivered as described in the Indenture.

The Trustee, at the direction of the Lessee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017J-K Certificates will be printed and delivered as described in the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2017J Certificate and payment of principal and other payments on the Series 2017J-K Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2017J-K Certificates, and other related transactions by and between DTC, the Direct Participants, the Indirect Participants, and the Beneficial Owners is based solely on information provided by DTC. Such information has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

Additional Series of Certificates

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

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

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

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

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

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

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

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

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

Redemption

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

The Series 2017J-K Certificates and all other outstanding Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interest of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2017J-K 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 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 2017J-K 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 any Lease, which amounts shall be allocated among the Series 2017J-K Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates with the same Series designation as such Sinking Fund

Account. The payment of 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, immediately upon the occurrence of an Event of Nonappropriation or Event of Default under any 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 (aa) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases, (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

Mandatory Sinking Fund Redemption

Series 2017J Certificates. The Series 2017J Certificates maturing on March 15, 2042 bearing interest at the per annum interest rate of 4.000% are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2017J Certificates maturing on March 15, 2042 shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2017J Certificates maturing on such date and bearing such interest rate, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	Principal Amount
2038	$7,000,000
2039	7,500,000
2040	8,000,000
2041	8,500,000
2042[1]	9,000,000

(1) Maturity date.

The Series 2017J Certificates maturing on March 15, 2042 bearing interest at a per annum interest rate of 5.250% are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2017K Certificates maturing on March 15, 2042 shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2017K Certificates maturing on such date and bearing such interest rate, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	Principal Amount
2038	$14,285,000
2039	10,770,000
2040	11,135,000
2041	11,540,000
2042[1]	11,985,000

(1) Maturity date.

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

Optional Redemption

The Series 2017J 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 March 15, 2027, at a redemption price equal to the principal amount of the Series 2017J Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

The Series 2017K Certificates maturing on and after March 15, 2028 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same rates designated by the State and by lot within any remaining maturity bearing interest at the same rate designated for redemption, on any date on and after March 15, 2027, at a redemption price equal to the principal amount of the Series 2017K 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 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 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.

Redemption Payments

On or prior to the date fixed for redemption, the Trustee is required to apply funds to the payment of the Series 2017J-K Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2017J-K Certificates so redeemed, the amounts due on the Series 2017J-K Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2017J-K Certificates.

State's Purchase Option Price

State's Option to Purchase Related Leased Property in Connection with Defeasance of Series 2017J Certificates or Series 2017K Certificates

The State has been granted in the each Lease 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 moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to the Master Indenture for the 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.

BASE RENT

The following table sets forth the State's Base Rent obligations after execution and delivery of the Series 2017J-K Certificates (assuming that the State chooses not to terminate the Leases during the Lease Term, which it has an annual option to do).

	Base Rent Series 2017J Certificates		Base Rent Series 2017K Certificates				
Fiscal Year (ended June 30)	Principal Component[(1)]	Interest Component[(1)]	Principal Component[(1)]	Interest Component[(1)]	Total Prior Certificates Base Rent	Less Actual/Assumed Federal Direct Payments[(2)(3)]	Total Fiscal Year Net Base Rent[(4)]
2018	--	$2,034,949	$15,750,000	$1,422,892	$55,748,334	$(8,619,123)	$66,337,052
2019	--	7,475,325	9,005,000	4,911,950	52,722,471	(8,533,625)	65,581,121
2020	--	7,475,325	5,930,000	4,551,750	52,608,905	(8,426,822)	62,139,158
2021	--	7,475,325	6,225,000	4,255,250	52,490,626	(8,313,280)	62,132,921
2022	--	7,475,325	6,845,000	3,944,000	52,373,290	(8,192,053)	62,125,561
2023	--	7,475,325	7,180,000	3,617,750	52,228,570	(8,049,862)	62,116,783
2024	--	7,475,325	7,535,000	3,275,500	52,075,442	(7,897,305)	62,108,962
2025	--	7,475,325	7,905,000	2,916,500	51,913,979	(7,738,754)	62,102,050
2026	--	7,475,325	8,295,000	2,539,750	51,639,076	(7,461,853)	62,097,299
2027	--	7,475,325	8,700,000	2,144,500	51,317,557	(7,147,025)	62,085,357
2028	--	7,475,325	9,130,000	1,729,750	50,990,392	(6,818,862)	62,076,605
2029	--	7,475,325	9,580,000	1,294,750	45,855,306	(1,650,491)	62,104,890
2030	--	7,475,325	7,185,000	838,250	45,335,883	(1,133,148)	62,096,310
2031	--	7,475,325	--	359,250	44,797,585	(593,306)	59,223,853
2032	$30,270,000	7,475,325	--	--	17,154,338	--	54,899,663
2033	1,435,000	5,961,825	--	--	45,233,938	--	52,630,763
2034	1,485,000	5,904,425	--	--	40,894,413	--	48,283,838
2035	1,535,000	5,859,875	--	--	38,633,063	--	46,027,938
2036	1,590,000	5,798,475	--	--	38,634,750	--	46,023,225
2037	20,275,000	5,748,787	--	--	--	--	26,023,788
2038	21,285,000	4,735,038	--	--	--	--	26,020,038
2039	18,270,000	3,705,075	--	--	--	--	21,975,075
2040	19,135,000	2,839,650	--	--	--	--	21,974,650
2041	20,040,000	1,935,063	--	--	--	--	21,975,063
2042	20,985,000	989,213	--	--	--	--	21,974,213
Total	$156,305,000	$150,166,925	$115,790,000	$37,801,842	$892,647,915	$(90,575,510)	$1,262,136,172

(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.

(2) Represents amount of expected Federal Direct Payments on the Series 2010B Certificates, the Series 2010D Certificates, and the Series 2010E Certificates. Although the ongoing existence or level of Federal Direct Payments reductions is not possible to forecast, an assumed 6.6% reduction is reflected in this table based on the current 6.6% sequestration reduction percentage. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State" and " – Federal Direct Payments," "CERTAIN RISK FACTORS – Federal Direct Payments," and "FORWARD-LOOKING STATEMENTS" for a discussion of Federal Direct Payments and the potential effect of sequestration.

(3) The State has covenanted in the 2010B-C Lease and the 2010D-F Lease to request the Federal Direct Payments from the United States Treasury and the Trustee in such Leases has agreed to assist the State in doing so. See "THE SERIES 2017J-K CERTIFICATES," "CERTAIN RISK FACTORS – Federal Direct Payments."

(4) Amounts may not sum due to rounding.

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2017J-K Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Leases, including: (i) the Base Rent; (ii) Federal Direct Payments; (iii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under each Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current fiscal year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Leases are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing Leases or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

As more fully described under the captions "CERTAIN RISK FACTORS" and in the form of the 2017J Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of a Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the Assistance Fund. The Act establishes the Assistance Fund and provides for the deposit to such Fund of certain revenues as described in "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" in **Appendix G**. However, the Act also permits the General Assembly to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amounts in the Assistance Fund are insufficient to cover the full amount of Rent required by the 2017J Lease, the 2017K Lease, the Prior Leases and any other Lease entered in connection with any additional Series of Certificates issued to fund the Program. Any such amounts in the Assistance Fund may only be used to pay Base Rent and Additional Rent if specifically appropriated by the Colorado General Assembly for that purpose. There is no obligation of the State to appropriate such Assistance Fund revenues, or to appropriate any other State moneys to be transferred to the Assistance Fund, for purposes of paying Base Rent or Additional Rent under the Leases. In addition, amounts on deposit in the Assistance Fund are not restricted to the payment of the Certificates and may be used for any purpose permitted by the Act, including, without limitation, defraying the cost of Projects. See "STATE FINANCIAL INFORMATION" and **Appendices E** and **G** hereto.

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

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

Lease Term

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

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the 2017J Site Lease, the 2017J Lease, the 2017K Lease, the 2017J Sublease and the Indenture attached hereto in **Appendix B**.

Nonrenewal of the Lease Term

The State is not permitted to renew the Leases or any of them (including the 2017J Lease and 2017K Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property (including the 2017J Leased Property and 2017K Leased Property). However, the Indenture, the 2017J Lease and 2017K Lease permit the State to purchase the 2017J Leased Property and 2017K Leased Property in connection with the defeasance of all of the related Series of the Series 2017J-K Certificates, as described in "THE SERIES 2017J-K CERTIFICATES – State's Purchase Option Price." The Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) which are Sublessees also have the right to purchase their respective portion of the Leased Property upon an Event of Nonappropriation or Event of Default under the related Lease, as described in "The Leased Property Sublessee's Purchase Option" under this caption and to substitute different property for certain of the related Leased Property as described in "The Leased Property – The Subleases and Matching Moneys" under this caption.

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the related Leased Property, or any Participating K-12 Institution has not exercised the purchase option of its portion of the related Leased Property, the State and such related Participating K-12 Institutions (and, in the case of charter schools, the chartering entity) not exercising the purchase option are required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2017J-K Certificates) and may exercise any other remedies available upon default as provided in the Leases, including the sale of or lease of the Trustee's interest under the Site Leases. See "CERTAIN RISK FACTORS," and the forms of the 2017J Site Lease, the 2017J Lease, the 2017K Lease, the 2017J Sublease and the Indenture attached hereto in **Appendix B**.

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 provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the 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 moneys 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 moneys are realized. See "CERTAIN RISK FACTORS," and forms of the 2017J Site Lease, the 2017J Lease, the 2017J Lease, the 2017J Sublease and the Indenture attached hereto in **Appendix B**.

The Leased Property

Generally

As described above, the State is not permitted to renew any Lease (including the 2017J Lease and 2017K Lease) with respect to less than all of the Leased Property (including the 2017J Leased Property and 2017K 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 2017J Leased Property and 2017K Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2017J-K CERTIFICATES – State's Purchase Option Price." The State may make substitutions, or may consent to substitutions by the related Participating K-12 Institution of the related Leased Property in accordance with the terms of the related Leases and Subleases as described in "Substitution of Leased Property" under this caption. Owners of the Series 2017J-K Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Prior Certificates) plus accrued interest thereon. See “CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease” for a description of some of the factors that may impact the value of the Leased Property.

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

Information pertaining to the Leased Property relating to the Prior Certificates and the 2017K Certificates is provided in **Appendix H**.

Prior to the issuance of the Series 2017J Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the 2017J Leased Property is at least equal to 90% of the principal amount of the Series 2017J Certificates. See "THE SERIES 2017J-K CERTIFICATES – Additional Series of Certificates." The following table describes the 2017J Leased Property subject to 2017J Site Leases between the Trustee and the respective 2017J Participating K-12 Institutions as indicated on the table (except for the Swallows Charter Academy):

2017J Leased Property

Participating K-12 Institutions	Description of Leased Property[(1)]	Land	Fair Market Value[(2)]
Brush School District RE-2J	Middle School, High School and Maintenance Building 171,211 SF w/56 classrooms	41.14-acre parcel of land valued at $440,270	$65,308,541[(3)]
Del Norte School District C-7	New K-12 School 110,000 SF w/45 classrooms	43.13-acre parcel of land valued at $14,495	45,521,600
Mancos School District RE-6	K-12 School, Middle School and Gym 152,000 SF w/6 classrooms	6.21-acre parcel of land valued at $37,570	23,468,958[(3)]
Mountain Valley School District RE-1	New PK-12 School 59,206 SF w/25 classrooms	10.51-acre parcel of land valued at $38,825	30,835,776
	Total:		$165,134,880

(1) The 2017J Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under this caption. In some cases, the 2017J Leased Property is comprised of existing facilities which will not be wholly or partially financed with the proceeds of the Series 2017J-K Certificates.

(2) As defined in the Glossary included in the form of 2017J Supplemental Indenture attached as **Appendix B** hereto.

(3) These amounts include, entirely or in part (in the case of renovations or additions), the valuation of existing buildings on the Leased Property based on a determination by the Colorado School District Self Insurance Pool, the Participating K-12 Institution's private carrier and the State and have not been determined or confirmed by any third party evaluation. New construction value is equal to the amount deposited to the related Project Account, Allocated Investment Earnings (as defined in the Glossary included in the form of 2017J Supplemental Indenture attached as **Appendix B** hereto) and amounts that may be withdrawn from the Assistance Fund to fund construction of the related Project.

The 2017J Subleases and Matching Moneys

In connection with the execution and delivery of the Series 2017J Certificates, the State and each of the Series 2017J Participating K-12 Institutions is entering into a 2017J Sublease pursuant to which each of such Series 2017J Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2017J Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2017J Lease with respect to such portion of the 2017J Leased Property and the Series 2017J-K Certificates. The respective Series 2017J Participating K-12 Institution's obligations to pay such amounts under the 2017J Sublease are subject to annual appropriation by such Series 2017J Participating K-12 Institution. Pursuant to the 2017J Subleases, each of the Series 2017J Participating K-12 Institutions has agreed to maintain the respective 2017J Leased Property and to provide all insurance for such 2017J Leased Property as required by the 2017J Lease.

Certain Series 2017J Participating K-12 Institutions or their chartering entity have agreed to pay Matching Moneys to the State for credit to the Assistance Fund with respect to such Series 2017J Participating K-12 Institution's Project in the form of cash or principal of and interest on Matching Moneys Bonds. Neither the cash nor the Matching Money Bonds are subject to annual appropriation by the Series 2017J Participating K-12 Institution.

The obligations and rights of a Series 2017J Participating K-12 Institution and the State with respect to the Series 2017J Participating K-12 Institution's Matching Moneys Bonds are independent of the obligations of the Series 2017J Participating K-12 Institution, as Sublessee, and the rights of the State under the 2017J Subleases and, except as otherwise specifically provided in the related 2017J Sublease, (a) the obligations of the Series 2017J Participating K-12 Institution or its chartering entity and the rights of the State with respect to the Series 2017J Participating K-12 Institution's obligations under the Matching Moneys Bonds will survive the termination of the 2017J Subleases and (b) no failure to perform or other action of the State with respect to the 2017J Subleases will affect the State's rights to enforce the obligations of the Series 2017J Participating K-12 Institutions or their chartering entity to make payments under their Matching Moneys Bonds.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2017J-K Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay principal and interest on the Series 2017J-K Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.

The 2017K Subleases and Matching Moneys

In connection with the execution and delivery of the Series 2011G Certificates being refunded with the proceeds of the Series 2017K Certificates, the State and each of the Series 2011G Sublessees entered into a 2011G Sublease pursuant to which each of such Series 2011G Sublessees have agreed, in exchange for use of a portion of the 2011G Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2011G Lease with respect to such portion of the 2011G Leased Property and the Series 2011G Certificates. The respective Series 2011G Sublessees' obligations to pay such amounts under their respective Subleases are subject to annual appropriation by such Series 2011G Sublessees. Pursuant to the 2011G Subleases, each of the Series 2011G Sublessees has agreed to maintain the respective 2011G Leased Property and to provide all insurance for such 2011G Leased Property as required by the 2011G Lease.

The Series 2011G Subleases are not required to be amended in connection with the refunding of the Series 2011G Certificates with the proceeds of the Series 2017K Certificates and the amendment and restatement of the 2011G Lease by the 2017K Lease. Accordingly, any reference herein to the 2017K Leased Property, the 2017K Subleases and the 2017K Sublessees is intended to be a reference herein to their 2011G equivalents. See the Glossary included in the form of 2017J Supplemental Indenture attached as a part of **Appendix B** to this Official Statement.

At the time the Series 2011G Sublessees entered into their respective Subleases, each issued a Matching Moneys Bond to the State. Such Matching Moneys Bonds are subject to similar terms and treatment as the Matching Moneys Bonds described above under "The 2017J Subleases and Matching Moneys."

Sublessee's Purchase Option

Each Sublessee has the option to purchase all, but not less than all, of the portion of the Leased Property subject to its Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the Leases as described in the forms of 2017J Site Lease, 2017J Lease, 2017K Lease, 2017J Sublease and the Indenture attached hereto in **Appendix B**. A Sublessee would exercise such option by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2017J-K Certificates. In the Leases, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any Lease. There can be no assurance that the Sublessee will exercise their right to purchase such Leased Property or that such proceeds will be sufficient to pay all of the principal due on the related Certificates.

Substitution of Leased Property

The Sublessees are permitted by the respective Subleases to substitute other property for the respective Leased Property with the consent of the State and upon delivery of certain items, including a certification that the Fair Market Value of the substituted property is equal to or greater than the Fair Market Value of the Leased Property for which it is being substituted, a title insurance policy, a certificate regarding the useful life and essentiality of the substituted property, and an opinion of Bond Counsel to the effect that such substitution is permitted under the related Lease and that such substitution will not cause the State or any sublessee to violate the State's tax covenant set forth in Section 9.04 of the related Lease or the Participating K-12 Institution's tax covenant set forth in Section 10.04 of the Subleases. See Sections 9.04 and 10.04 in the form of Sublease in **Appendix B**. Furthermore, 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 9.04 of the related Lease. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees and the certifications as to useful life and essentiality may also be provided by the Sublessees.

Insurance

The Leased Property is required to be insured by the related Participating K-12 Institutions as described in "CERTAIN RISK FACTORS – Insurance of the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in the form of the Lease "- Damage, Destruction and Condemnation," in **Appendix B**. Pursuant to the Subleases, the related Participating K-12 Institutions have undertaken or will undertake to provide such insurance with respect to the respective Leased Property as required by the related Leases. See "The 2017J Subleases and Matching Moneys" under this caption.

Federal Direct Payments

The State elected to designate the Series 2010B Certificates and the Series 2010E Certificates as "Build America Bonds" for purposes of the Recovery Act and to receive federal direct payments (the

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

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

The State, like other governmental entities, is subject to developments at the federal level with respect to the Budget Control Act of 2011 ("sequestration"). The originally scheduled Federal Direct Payments were reduced by 6.9% for federal fiscal year 2017 (which ended September 30, 2017) as a result of sequestration. The originally scheduled Federal Direct Payments are to be reduced by 6.6% in federal fiscal year 2018. Under a federal budget bill enacted in November 2015, the sequestration reduction will continue through federal fiscal year 2025. The sequestration reduction rate remains subject to change should additional laws be enacted which impact the sequester.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2017J-K CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2017J-K 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 2017J-K CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2017J-K 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 2017J Lease and 2017K Lease) does not constitute an obligation of the State to apply its general resources beyond the current fiscal year. The State is not obligated to pay Base Rent or Additional Rent under the Leases unless funds are appropriated by the Colorado General Assembly each year, notwithstanding the fact that sufficient funds may or may not be on deposit in the Assistance Fund or otherwise may be available for transfer from any other source. If, on or before June 30 of each Fiscal Year, the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an "Event of Nonappropriation" will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Leases (including the 2017J Lease and 2017K 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 has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization. See the form of 2017J Lease and 2017K Lease "– Event of Nonappropriation," in **Appendix B**.

There is no assurance that the State will renew the Leases from fiscal year to fiscal year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under a Sublease has been exercised, the related Participating K-12 Institutions) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases (including the 2017J Lease). Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State or the Participating K-12 Institutions for the Leased Property (including the 2017J Leased Property and 2017K Leased Property). In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the 2017J Lease and 2017K Lease) is dependent upon several factors outside the State's control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State's revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rent and Additional Rent each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION" and Appendices E and G hereto.

Payment of the principal of and interest, if any, on the Certificates (including the Series 2017J-K Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. See "Effect of a Nonrenewal of the Leases" under this caption.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2017J Lease and 2017K Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective Sublease in order to purchase and retain the right to use its portion of the Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2017J Lease and 2017K Lease). See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

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

Effect of a Nonrenewal of a Lease

General

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

Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in such Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See the form of 2017J Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2017J-K CERTIFICATES – Redemption – Extraordinary Redemption."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the Outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of any Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2017J-K Certificate) will have any further claims for payment upon the State, the Trustee, or the Participating K-12 Institutions.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2017J-K Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates, the construction of the Projects or the acquisition of the Leased Property. The valuation of the Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." To the extent Leased Property constitutes Projects financed by Outstanding Certificates and such Projects are partially constructed, the Trustee's ability to liquidate such Leased Property may be hindered. The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. Further, a considerable amount of Leased Property is located in areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The Sublessees and the State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

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

Upon termination of any Lease, there is no assurance of any payment of the principal of Series 2017J-K Certificates by the State or the Trustee.

Payment of the principal of and interest on the Series 2017J-K 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 2017J Lease and 2017K Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property. An Event of Default or Event of Nonappropriation by a Participating K-12 Institution under its Sublease is not an Event of Default or Event of Nonappropriation under the Leases and does not affect the State's obligation to pay Base Rent. Investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the Subject Buildings.

Federal Direct Payments

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

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

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

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

The IRS has implemented an examination program for obligations such as the Series 2010B Certificates, Series 2010D Certificates and the Series 2010E Certificates that qualify for direct federal subsidies, and no assurance can be given that such Certificates will not be selected by the IRS for examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, announced IRS policy is to suspend payment of the Federal Direct Payments pending a final determination of the qualification of the Series 2010B Certificates, Series 2010D Certificates or the Series 2010E Certificates, as may be applicable, for eligibility to receive Federal Direct Payments. Furthermore, in certain circumstances, the Federal Direct Payments may be reduced (offset) by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the State to any federal agency. The amount of any such offsets is not predictable by the State.

Enforceability of Remedies

Under the Leases, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the Leases is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under a Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the relevant Participating K-12 Institutions. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the Leases and the Indenture or to redeem or pay the Series 2017J-K Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2017J-K 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 2017J Lease or the 2017K Lease under certain circumstances as provided in the 2017J Lease and Series 2017K Lease, respectively, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2017J Certificates or Series 2017K Certificates, respectively, subsequent to such termination. See "TAX MATTERS." If the 2017J Lease or the 2017K 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 2017J Certificates or Series 2017K Certificates, respectively, will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2017J Lease or the 2017K Lease.

Insurance of the Leased Property

The Subleases require that the Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property subject to their respective Subleases in an amount equal to the current replacement value of the Leased Property. The Subleases also require that the Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the Participating K-12 Institutions in connection with the Leased Property subject to their respective Subleases and the Leases: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Participating K-12 Institutions may be liable to third parties thereunder and (2) for all other activities, in an amount not less than $1,000,000 per occurrence. The Leases require the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State or the Participating K-12 Institutions and to have such required insurance provided under blanket insurance policies or through the Colorado School District's Self Insurance Program, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's risk management program. The insurance required by the Leases will be provided by the Participating K-12 Institutions pursuant to the Colorado School District Self Insurance Program, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's independent risk management program, if any. See "LITIGATION, 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, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2017J-K Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2017J-K CERTIFICATES – Redemption."

Actions Under the Subleases

Although the State's payment of Rent under the Leases will not depend or be conditioned upon payment of Rent, if any, under the Subleases, certain actions by the Participating K-12 Institutions in respect of the related Leased Property or Project could have an adverse effect on the interests of the owners of the Series 2017J-K Certificates. For example, failure to operate or maintain the Leased Property under a related Sublease in accordance with the terms thereof could diminish the value of that Leased Property; if, for whatever reason, such Lease terminates or the Trustee exercises re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee's ability to recoup rentals or obtain a sale price sufficient to pay Certificate principal or to redeem the full Certificate principal, as the case may be. Violations of environmental laws similarly could diminish the re-letting or sale value of the subject Leased Property, and could lead to statutory remedies under applicable federal and state laws. Failure by a Participating K-12 Institution to obtain the casualty and property insurance policies required by the applicable Sublease could limit the principal amount of Series 2017J-K Certificates redeemed upon the damage or destruction of the subject Leased Property under certain circumstances. In addition, while the State expects that Certificate principal and interest will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the Leased Property will be used by Participating K-12 Institutions, which are governmental units, use of the Projects financed with Series 2017J-K Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2017J-K Certificates.

State Budgets and Revenue Forecasts

The State Constitution requires that expenditure 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 Balances 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 September 20, 2017 (the "OSPB September 2017 Revenue Forecast") and is attached to this Official Statement. See "STATE FINANCIAL INFORMATION" and **Appendix F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST." The next OSPB revenue forecast will be released in December 2017. General Fund revenue projections in the new forecast may be materially different from the September 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 Fiscal Year 2017-18 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See **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 "FORWARD-LOOKING STATEMENTS."

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

Control of Remedies

Under the Indenture, the Owners of a majority in principal amount of all the Certificates then Outstanding have the right, at any time, to the extent permitted by law, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceedings relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions of the Indenture. See Section 7.06 of the Master Indenture attached in **Appendix B** hereto. The interests of Owners of the Series 2017J-K Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons.

Future Changes in Laws and Future Initiatives

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

THE STATE OF COLORADO

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5.54 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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017" 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 Governor is empowered as the chief executive of the State, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the State legislature, known as the General Assembly, to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2015 and will expire on the second Tuesday in January of 2019, following a general election to be held in November of 2018. No elected executive official may serve more than two consecutive terms in the same office.

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

STATE FINANCIAL INFORMATION

It is important for prospective purchasers to analyze the financial and overall status of the State, including the Assistance Fund and the State General Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also **Appendix A** – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND STATE OF COLORADO UNAUDITED BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013," **Appendix E** – "THE STATE GENERAL FUND," **Appendix F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST," **Appendix G** – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" and **Appendix I** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION," and **Appendix J** – STATE PENSION SYSTEM." With the exception of **Appendix I**, the information in these sections and Appendices has been provided by the State. The information in **Appendix I** has been provided by Development Research Partners.

The State Treasurer

The State Constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the

"State Treasury"), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State (except certain institutions of higher education). The State Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State (except for certain institutions of higher education) charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller (the "State Controller"). The State Treasurer and the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the State Treasurer's credit in lieu of transmitting such moneys to the State Treasury

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

Taxpayer's Bill of Rights

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."

Thirdly, TABOR 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 amount of the TABOR Reserve for Fiscal Years 2016-17, 2017-18 and 2018-19 have been estimated in the OSPB September 2017 Revenue Forecast to be $386.8 million, $395.8 million and $413 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 tax 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. TABOR provides for an automatic decrease in the State fiscal year spending limit when State TABOR revenues decline without a corresponding automatic increase in State fiscal year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the "ratchet down effect" whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year's TABOR limit is calculated based on the lesser of the prior year's TABOR revenues or the prior year's TABOR limit. In a year in which the State's TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year's TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State's finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated "Referendum C," was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. 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, being 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 to be 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) replaces the Hospital Provider Fee with the Healthcare Affordability and Sustainability Fee, which fee will be exempt from TABOR as it will be collected by a new 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 will result 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 collections 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 the following amounts in excess of the previously applicable TABOR limit: $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and $1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit by $0.771 billion in Fiscal Year 2010-11, $1.473 billion in Fiscal Year 2011-12, $1.860 billion on Fiscal Year 2012-13 and $2.125 billion in Fiscal Year 2013-14, although no refunds were required because such revenues were below the applicable ESRC. TABOR revenues exceeded the TABOR limit by $2.384 billion in Fiscal Year 2014-15, resulting in the State being $169.7 million above the applicable ESRC and triggering a refund.

The OSPB September 2017 Revenue Forecast states that TABOR revenue in Fiscal Year 2016-17 was $435.9 million below the ESRC (as revised by SB 17-267) and is projected to be $507.8 million, $579.6 million and $595.3 million under the ESRC in Fiscal Years 2017-18, 2018-19 and 2019-20, respectively.

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 discussed in "SOURCE OF PAYMENT OF PROGRAM LOANS – Ad Valorem Property Taxation Procedure – Homestead Exemption." See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

Referendum C also creates the "General Fund Exempt Account" within the General Fund, to which there is to be credited moneys 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 moneys 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 up to $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 (Proposition BB) to the State's voters, 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 on "Marijuana-related revenue" starting on page 36 in the OSPB September 2017 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 Certificates

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

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. See **Appendix E**. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes.

Budget Process and Other Considerations

Budget Process

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

Phase II (Legislative). The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Appropriation Bill (the "**Long Bill**") which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the JBC marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes; (ii) General Fund Exempt appropriations primarily funded by TABOR-exempt or excess TABOR revenues retained under Referendum C; (iii) cash fund appropriations supported primarily by grants, transfers and departmental charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2017-18 (SB 17-254) was adopted by the General Assembly in May of 2017.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2017-18 was approved and signed by the Governor in May of 2017.

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 (previously defined as 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. 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 2011-12 and thereafter. See also **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement(1)(2)
2011-12	4.0%
2012-13 and 2013-14	5.0
2014-15	6.5
2015-2016	5.6
2016-2017	6.0(3)
2017-18 and thereafter	6.5

(1) The Unappropriated Reserve requirement, which is codified as Section 24-75-20l.l(l)(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, starting in Fiscal Year 2015-16, 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) The Unappropriated Reserve requirement for Fiscal Year 2016-17 was reduced from 6.5% to 6.0% per SB 17-266.

The OSPB September 2017 Revenue Forecast indicates that the State ended Fiscal Year 2016-17 with reserves of $28.7 million above the Unappropriated Reserve requirement based on preliminary information, and will end Fiscal Year 2017-18 with reserves of $5.9 million above the applicable Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB September 2017 Revenue Forecast was completed and 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 F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST."

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State Constitution mandates that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) 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 moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

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

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

Fiscal Year Spending and Emergency Reserves

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

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel & Administration. The State Controller is the head of the Office of the State Controller Office and the State Controller or his delegate has statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the State Treasury are made by warrants 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 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 for payment of claims against the State. The State Controller prepares a comprehensive annual financial report ("**CAFR**") in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting.

The State implemented a new integrated financial system in July 2014 and has been experiencing various issues, including the labor allocation process which continues to utilize the State's legacy payroll system. The longer time period to complete labor allocation, the first time closing in the new system and developing financial statement reports caused delays in closing the books and producing the State's financial statements. This resulted in delays in the release of the State's CAFRs for Fiscal Years 2014-15 and 2015-16 and the inability of the State to timely submit its audited financial statements to the Municipal Securities Rulemaking Board ("MSRB") for posting on EMMA as required by various continuing disclosure undertakings entered into by the State, the State Treasurer and certain State departments and agencies that utilize the State's credit. See "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the financial statements in the State's Fiscal Year 2015-16 CAFR and Note 1 in the Fiscal Year 2016-17 unaudited BFS appended to this Official Statement as part of **Appendix A**.

Basis of Presentation of Financial Results and Estimates

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

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "**Auditor**") through the Auditor's staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 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 2015-16 CAFR, including the State Auditor's Opinion thereon, and the State's unaudited Fiscal Year 2016-17 BFS are 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 2015-16 CAFR or the Fiscal Year 2016-17 BFS, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain 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 State 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 14 and 15 to the State's Fiscal Year 2015-16 CAFR and Note 4 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement as part of **Appendix A** 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 moneys 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 requested by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs include 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 GAP General Fund, the CAFR 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.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. Accordingly, the State currently has, and upon issuance of the Series 2017J-K Certificates will have, no outstanding general obligation debt.

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 24 and 25 to the State's Fiscal Year 2015-16 CAFR and Notes 11 and 12 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2016 and June 30, 2017, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2015-16 and 2016-17 and thereafter. See also Note 44 to the State's Fiscal Year 2015-16 CAFR and Note 20 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement for a discussion of lease-purchase agreements entered into by the State after June 30, 2016 and June 30, 2017, but before publication of the Fiscal Year 2015-16 CAFR and the State's Fiscal Year 2016-17 unaudited BFS.

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 22 and 25 to the State's Fiscal Year 2015-16 CAFR and Notes 10 to 12 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2016 and June 30, 2017, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2016-17 and thereafter.

State departments and agencies, including State institutions of higher education, also issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, 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 24, 25 and 44 to the State's Fiscal Year 2015-16 CAFR and Notes 11, 12 and 20 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2016 and June 30, 2017, and of those issued after June 30, 2016 and June 30, 2017, but before publication of the Fiscal Year 2015-16 CAFR and Fiscal Year 2016-17 unaudited BFS. 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 Note 43 to the State's Fiscal Year 2015-16 CAFR and Note 19 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement.

See also the Statistical Section of the State's Fiscal Year 2015-16 CAFR and the State's Fiscal Year 2016-17 BFS appended to this Official Statement for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

Note Issues of the State

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

In July 2017, the State issued $600 million of General Fund Tax and Revenue Anticipation Notes, Series 2017A, and $290 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2017A.

State Authorities

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

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

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 18, 19 and 20 to the State's Fiscal Year 2015-16 CAFR and Notes 6, 7 and 8 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2016 (the "**PERA 2016 CAFR**"). The information in the State's Fiscal Year 2015-16 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for calendar year 2015, while the information in this Official Statement and the State's Fiscal Year 2016-17 unaudited BFS is derived from the PERA 2016 CAFR. See also "*Future Accounting Standards*" hereafter.

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. Nevertheless, at December 31, 2016, the PERA 2016 CAFR reports that the State Division Plan had an unfunded actuarial accrued liability ("**UAAL**") of approximately $11.6 billion and a funded ratio of only 54.6%. This UAAL would amortize over a 65-year period based on contribution rates as of the date of calculation and scheduled employer contributions, as well as an investment rate of return on Plan assets and discount rate on actuarially accrued liabilities of 7.25%. The PERA Board revised the actuarial investment assumption rate from 7.50% to 7.25% effective for the 2016 actuarial valuation, which contributed to the increase in the State's pension liability. See the PERA 2016 CAFR for more information on the impact of the revised actuarial investment assumption and the GASB 67 blended rate on the State Division Plan pension liability.

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. Accordingly, the full effect of recent fluctuations in the assets of the State Division Plan as a result of economic and market conditions is not reflected in the aforementioned funded ratio. Based on the market value of assets of the State Division Plan, at December 31, 2016, the Plan had an unfunded accrued liability of approximately $12.1 billion and a funded ratio of 52.7%.

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 moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2016, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately $1.3 billion, a funded ratio of 17.4% and a 37-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 2016 CAFR for additional information regarding the Health Care Trust Fund.

Implementation of Changes in Pension Accounting Standards Applicable to the State - GASB 68. 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 CAFR**"). 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. PERA reports that the State Division had an unfunded actuarial accrued liability of approximately $10.2 billion as of December 31, 2015, and $11.6 billion as of December 31, 2016. The State reported a liability in the State's Fiscal Year 2016-17 unaudited BFS of approximately $17.9 billion, consisting of approximately $17.5 billion for the State Division and $0.3 billion for the Judicial Division as of June 30, 2017, compared to the reported liability in the State's Fiscal Year 2015-16 CAFR of approximately $10.3 billion, consisting of approximately $10.1 billion for the State Division and $0.2 billion for the Judicial Division, at June 30, 2016, for its proportionate share of the net pension liability. Schedules presenting the State's proportionate share of the net pension liability for its retirement plan as of June 30, 2014 through 2017, 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 2015-16 CAFR and to the State's Fiscal Year 2016-17 unaudited BFS. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis, as well as the introduction to Notes 1-7 and Notes 18-20 to the Financial Statements, in the State's Fiscal Year 2015-16 CAFR and Note 1 and Notes 6-8 to the State's 2016-17 unaudited BFS and **Appendix J –** "STATE PENSION SYSTEM" and particularly the section thereof entitled "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68."

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 2015-16 CAFR 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 Appendices A and J or the State's ability to fully pay its obligations, including the Certificates.

FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE" and in Appendices E, F, G, I 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.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF INSURANCE

No Litigation Affecting the Series 2017J-K Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the execution or delivery of the Series 2017J-K Certificates or questioning or affecting the validity of the Series 2017J-K Certificates or the proceedings or authority under which they are to be executed and delivered. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the Treasurer to enter into the related Leases or the Subleases in the manner provided in the Act.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes ("**Immunity Act**") provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. 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; and for incidents occurring on and after July 1, 2013, the maximum amounts that maybe 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. These limits are subject to adjustment on January 1, 2018, and every four years thereafter based on the percentage change in the Consumer Price 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 its employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or State employees sued in their official capacities under federal statutes when such actions are brought in federal court.

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

Self-Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6H, 21, 42 and General Fund Components (in Supplementary Information) in both the State's Fiscal Year 2015-16 audited CAFR and Notes 1, 9 and 19 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Statement as part of **Appendix A**. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 43 to the financial statements in the State's Fiscal Year 2015-16 CAFR and Note 19 to the State's 2016-17 Fiscal Year unaudited BFS appended to this Official Statement as **Appendix A**. The State believes that it has a reasonable possibility of favorable outcomes for the actions discussed in Note 43 to the Fiscal Year 2015-16 CAFR and Note 19 to the State's 2016-17 unaudited BFS, but the ultimate outcome cannot presently be determined. **Unless otherwise noted in the above-referenced financial statements, no provision for a liability has been made in the financial statements related to the contingencies discussed in such Notes.**

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2017J-K Certificates, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2017J-K Certificates (including any original issue discount properly allocable to the owner of a Series 2017J-K Certificate) is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax.

The State and the Series 2017J Participating K-12 Institutions have made certain representations and covenanted to comply with requirements that must be satisfied in order for the interest on the Series 2017J-K Certificates to be excludable from gross income for federal income tax purposes. The opinions set forth above are subject to the accuracy of such representations and continuing compliance by the State and the Series 2017J Participating K-12 Institutions and others with such covenants. Failure to comply with such requirements could cause interest on the Series 2017J-K Certificates to be included in gross income retroactive to the date of issue of such Series 2017J-K Certificates.

Notwithstanding Bond Counsel's opinion that the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2017J-K Certificates is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2017J-K Certificates may otherwise affect the federal income tax liability of the owners of the Series 2017J-K Certificates. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2017J-K Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2017J-K Certificates.

Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligation under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2017J-K Certificates, or any other federal tax consequences related to the ownership or disposition of the Series 2017J-K Certificates.

Tax Treatment of Bond Premium

The Series 2017J-K Certificates that have an original yield below their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a premium (collectively, the "**Tax-Exempt Premium Obligations**"). An amount equal to the excess of the issue price of a Tax-Exempt Premium Obligation over its stated redemption price at maturity constitutes premium on such Tax-Exempt Premium Obligation. A purchaser of such Tax-Exempt Premium Obligation must amortize any premium over such Tax-Exempt Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Tax-Exempt Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest allocable to the corresponding payment period, and the purchaser's basis in such Tax-Exempt Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Tax-Exempt Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of Tax-Exempt Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Tax-Exempt Premium Obligations.

Original Issue Discount

The Series 2017J-K Certificates that have an original yield above their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the "Tax-Exempt Discount Obligations"), are being sold at an original issue discount. The difference between the initial public offering prices of such Tax-Exempt Discount Obligations and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

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

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

Owners of Tax-Exempt Discount Obligations should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Tax-Exempt Discount Obligation. Subsequent purchasers of Tax-Exempt Discount Obligations that purchase such Tax-Exempt Discount Obligations for a price that is higher or lower than the "adjusted issue price" of the Tax-Exempt Discount Obligations at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2017J-K Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of a Series 2017J Certificate who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2017J-K Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Exemption Under State Tax Law

In the opinion of Bond Counsel, under existing State of Colorado statutes, the interest received by the Owners of the Series 2017J-K Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. Bond Counsel has expressed no opinion regarding the effect of any termination of the State's obligation under the Leases on interest received or income of the Owners of the Series 2017J-K Certificates subsequent to such termination, or other tax consequences related to the ownership or disposition of the Series 2017J-K Certificates under the laws of the State of Colorado or any other state or jurisdiction.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2017J-K Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2017J-K Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2017J-K Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2017J-K Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017J-K Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

UNDERWRITING

The Series 2017J-K Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $309,388,302.16 (representing the aggregate principal amount of the Series 2017J-K Certificates of $272,095,000.00 plus net original issue premium of $38,282,929.20 less an aggregate underwriting discount of $989,627.04). The Underwriters have agreed to accept delivery of and pay for all the Series 2017J-K 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 2017J-K Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2017J-K Certificates to certain dealers (including dealers depositing such Series 2017J-K Certificates into investment funds) and others at prices lower than the public offering prices stated on the inside cover page hereof. The public offering prices set forth on the inside cover page hereof may be changed after the initial offering by the Underwriters.

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.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an Underwriter of the Series 2017J-K Certificates, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2017J-K Certificates.

J.P. Morgan Securities LLC ("**JPMS**"), one of the Underwriters of the Series 2017J-K 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, each of CS&Co. and LPL may purchase Series 2017J-K Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2017J-K Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2017J-K 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 2017J-K Certificates as Special Counsel to the State. Sherman & Howard L.L.C. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State or the Series 2017J Participating K-12 Institutions contained in this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Ballard Spahr, LLP, Denver, Colorado, has acted as counsel to the Underwriters. Payment of legal fees to Bond Counsel and Special Counsel are contingent upon the sale and delivery of the Series 2017J-K Certificates.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2017J-K Certificates a rating of "AA- (negative outlook)" and Moody's Investors Service has assigned the Series 2017J-K Certificates a rating of "Aa2 (negative outlook)". No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2017J-K Certificates and the 2017J 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 2017J-K Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

MUNICIPAL ADVISOR

The State has retained First Southwest, a Division of Hilltop Securities, Denver, Colorado as municipal advisor (the "**Municipal Advisor**") in connection with the Series 2017J-K Certificates and with respect to the authorization, execution and delivery of the Series 2017J-K Certificates. *The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Municipal Advisor will act as independent advisory firm and will not be engaged in underwriting or distributing the Series 2017J-K Certificates.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2017J-K Certificates, the State acting by and through the State Treasurer, will enter into a continuing Disclosure Undertaking, the form of which is appended to this Official Statement as **Appendix C**, pursuant to which the State Treasurer will agree for the benefit of the owners of the Series 2017J-K Certificates to file with the MSRB on its EMMA website (a) certain annual financial information and the State's audited annual financial statement not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2018, and (b) notices of the occurrence of enumerated events within ten business days of their occurrence. See **Appendix C** – FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The obligations of the State Treasurer pursuant to the Continuing Disclosure Undertaking are for the benefit of the owners of the Series 2017J-K Certificates, and, if necessary, may be enforced by such 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 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, certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings. For example, CDOT failed to file annual financial information and audited financial statements in respect of its outstanding obligations for Fiscal Years 2011-12 and 2012-13. In addition, the State failed to file notices of bond insurer rating downgrades relating to certain outstanding obligations over the last five years, although such bond insurer downgrades did not affect the underlying rating of the State. The State failed to timely file annual financial information and audited financial statements for certain obligations for Fiscal Year 2011-12, and failed to file on EMMA notices of such failure. Corrective actions have been taken with regard to these matters as discussed below.

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 such 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 commenced, and is continuing to carry 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 whether there are other instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office to date and described below have been addressed by making appropriate corrective filings or taking other remedial actions, either directly or by DAC Bond, and may include corrective action and participation in the SEC's Municipal Continuing Disclosure Cooperation Initiative.

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 CAFR 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 CAFR 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. The State's unaudited Basic Financial Statements for Fiscal Year 2015-16 and the State's Fiscal Year 2015-16 CAFR were posted on EMMA on January 16, 2017, and March 8, 2017, 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 2011-12, 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 CAFRs 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 Fiscal Year 2011-12 and for both Fiscal Years 2014-15 and 2015-16 was posted on EMMA on January 29, 2013, and on March 28, 2017, respectively.

The OSPB December 2014 and OSPB December 2015 revenue forecast 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 forecast, together with the revenue forecast, were posted on EMMA on May 16, 2016.

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 the 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 dated August 22, 2017 to the U.S. SEC, 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's Annual Financial Information disclosure as of June 30, 2016 was posted to EMMA on March 8, 2017. 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 5 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 Knutson, 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 2017J-K Certificates, copies of the Act and certain other documents referred to herein may be obtained from the Underwriters at RBC Capital Markets, LLC, as Representative of the Underwriters, 1801 California Street, Suite 3850 Denver, Colorado 80202, Attention: Dan O'Connell, telephone number (303) 595-1222. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement have been authorized by the State Treasurer. This Official Statement is hereby approved by the 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

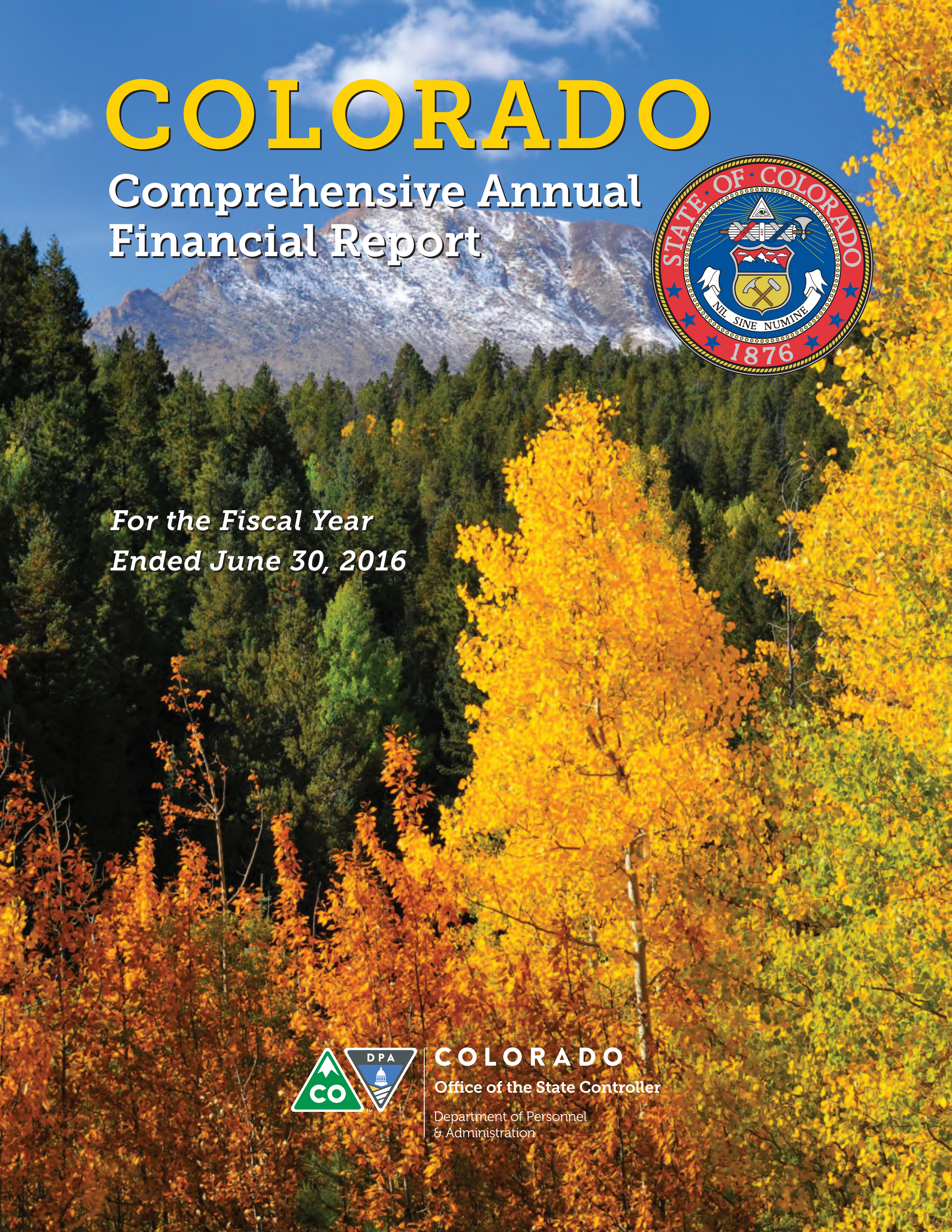
By: /s/ Ryan Parsell
Deputy Treasurer, State of Colorado

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A
State of Colorado Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2016
and
State of Colorado Unaudited Basic Financial Statements
for the Fiscal Year ended June 30, 2017

(Pagination reflects the original printed document)

(THIS PAGE INTENTIONALLY LEFT BLANK)



COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

COLORADO
Office of the State Controller
Department of Personnel & Administration

(THIS PAGE INTENTIONALLY LEFT BLANK)

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

John Hickenlooper
Governor

Department of Personnel & Administration
June Taylor, 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:

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

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CONTENTS

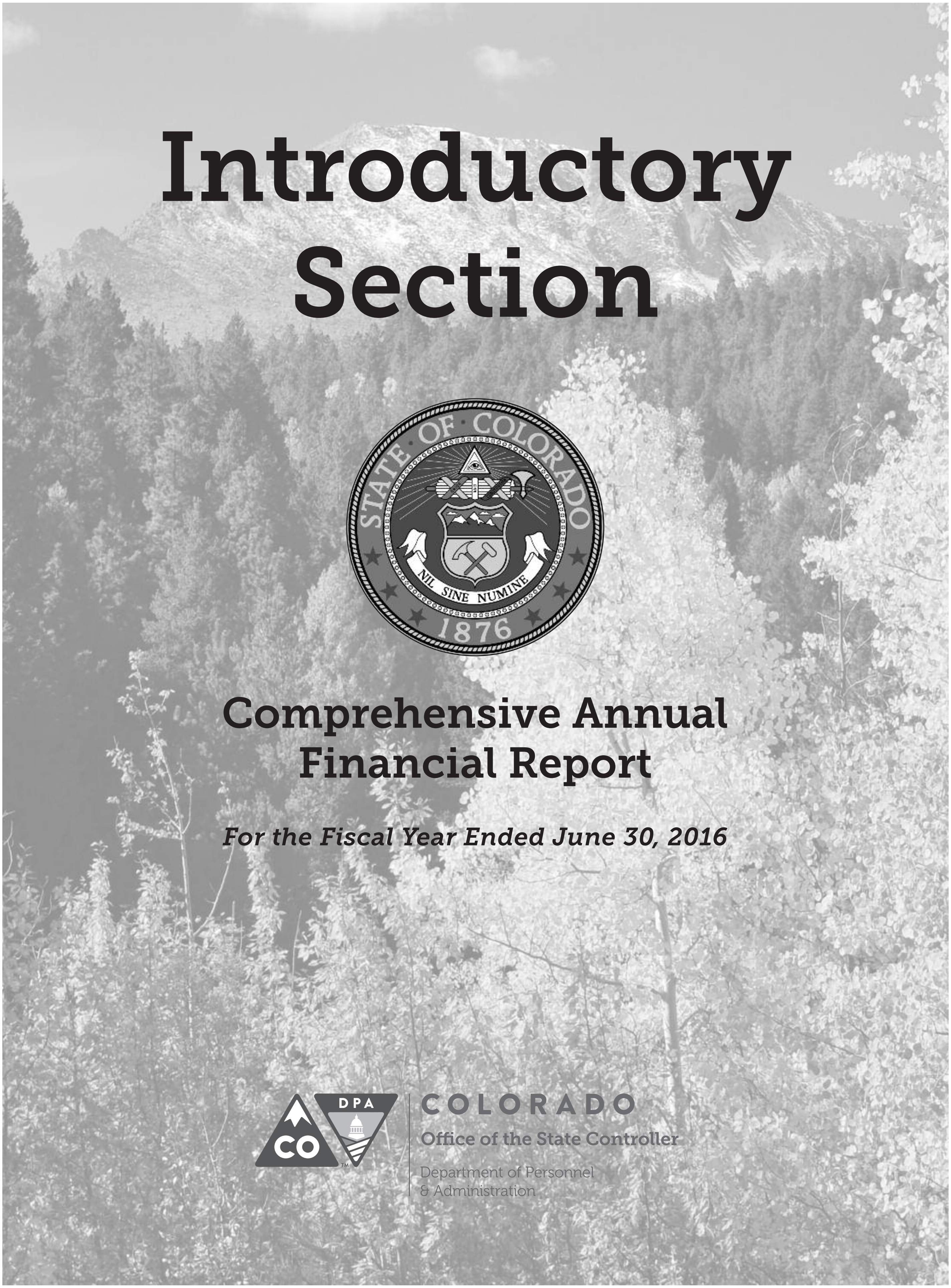
INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

OPERATING INFORMATION

OTHER INFORMATION



Introductory Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

COLORADO
Office of the State Controller
Department of Personnel & Administration

COLORADO
Office of the State Controller
Department of Personnel
& Administration

Office of the State Controller
1525 Sherman St.
Denver, CO 80203

February 27, 2017

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, 2016. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

We believe the financial statements are fairly presented in all material aspects. They are presented in a manner designed to set forth the financial position, results of operations, and changes in net 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.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB) and, except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 23, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the 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. (See additional information on "Cash Basis Accounting" on page 40 of the MD&A.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the State.

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

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

- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (nonmajor):
  - Denver Metropolitan Major League Baseball Stadium District
  - Colorado Venture Capital Authority
  - HLC @ Metro, Inc.
  - University of Colorado Real Estate Foundation

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

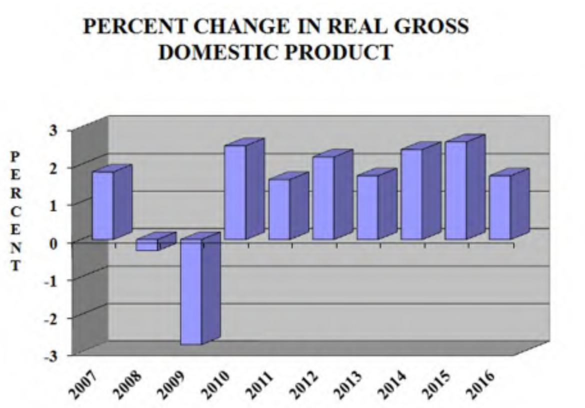
PROFILE OF THE STATE OF COLORADO

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

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

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

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



ECONOMIC CONDITION AND OUTLOOK

The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed slower growth in Fiscal Year 2015-16; General Fund revenues increased by $288.0 million (3.0 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 4.2 percent for 2015 and is forecast to increase by 4.0 percent for 2016. State nonagricultural employment levels rose by 75,300 in 2015, and are forecast to increase by another 56,700 in 2016.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.0 percent in the third quarter of calendar year 2015 and 2.9 percent in the third quarter of 2016. Inflation adjusted GDP increased 1.5 percent from the third quarter of 2015 to the third quarter of 2016 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.6 percent. The increase in personal consumption was led by an increase of 5.6 percent in durable goods, the most significant in recreational goods and vehicles. Gross private domestic investment decreased 2.7 percent, primarily in transportation equipment and other equipment offset by an increase in investments in intellectual property products. Government spending increased by 0.3 percent related to increases in federal, and decreases in state and local government spending. Quarter-over-quarter exports increased by 2.0 percent and imports grew by 0.7 percent; net exports increased the GDP compared to the third quarter of 2015.

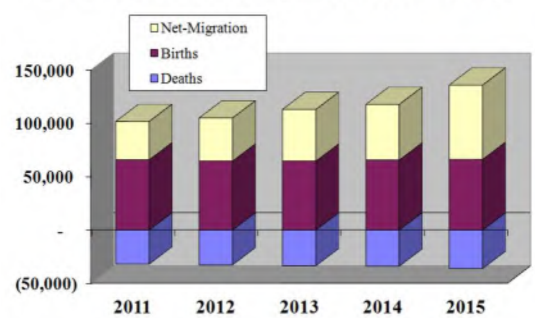
The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. This has been compounded by uncertainties in global markets and debates in the U.S. Congress over increases to federal debt ceiling, automatic tax increases and spending cuts. The June, 2016 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

"Economic expansion is expected to progress at a relatively modest pace in both Colorado and the U.S. in 2016 and 2017. Low unemployment rates and slowing job growth are signaling full employment, which will contribute to upward wage pressure as labor becomes more difficult to find. The tourism, services, real estate, and construction sector – industries that depend on the health of the labor market – continue to grow at healthy rates across the nation and Colorado. More current indicators, including financial markets, consumer spending, and consumer debt, demonstrate economic expansion but at a slowing pace."

As reported by the OSPB, Colorado's economy remains in expansion. Despite notable headwinds in recent years, the State's economy has demonstrated resilience not seen in prior periods. Demand for workers among Colorado businesses remains strong. The urban areas along the Front Range have among the lowest unemployment in the country, with the Denver metro area having the lowest unemployment rate among large U.S. metro areas. The oil and gas industry's deep contraction that contributed to slowing in the overall economy appears to have reached a bottom, though industry activity is expected to remain at subdued levels. Even so, the absence of the large decline in spending in the economy going forward will help overall economic conditions. Further, data shows renewed growth in new business formation in Colorado, a key ingredient for economic and job growth. Sustained growth in housing construction and home sales, albeit still at comparatively low levels, will also add to employment and spending in the economy. However, the State's economic growth will remain at a more moderate pace than earlier in the expansion.

Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 49,400 from 2011 to 2015. International immigration increased from approximately 8,800 (2011) to 13,300 (2015). Similarly, domestic migration from other states increased from 24,900 (2011) to 54,500 (2015). The information in the adjacent chart is based on current Colorado Sate Demographer estimates. The Demographer forecasts net population growth of 99,200 for 2016 and 99,700 for 2017, and the OSPB forecasts net migration of 61,400 and 61,200 for those years, respectively, which indicates persistent immigration.

COMPONENTS OF COLORADO'S POPULATION CHANGE



According to the OSPB, economic growth for the nation overall continues to be modest. Persistent weakness in business investment and industrial production, along with subdued gains in business formation and productivity continue to result in lackluster growth. On the positive side, consumer spending and the labor market have been solid. In addition, the labor market recovery is broadening, with middle-wage industries adding jobs at a faster pace and lower wage workers seeing more wage growth. Further, although the industrial sector is not expected to generate a boost to economic growth going forward, an end to its downturn will at least present a smaller drag on economic activity.

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

- Unemployment will average 3.4 percent for 2016 compared with 3.9 and 5.0 percent in 2015 and 2014, respectively, and it is expected to slightly increase in 2017 to 3.6 percent.
- Wages and salary income will increase by 4.2 percent in 2016, by 5.5 percent in 2017, and by 5.4 percent in 2018.
- Total personal income will increase by 4.0 percent in 2016, and reach 5.4 percent by 2017.
- Net migration is expected to be 61,400 in 2016 and 61,200 in 2017, with total population growth of 1.7 percent in the same two years.
- Retail trade sales will increase by 4.3 percent in 2016 followed by an increase of 5.2 percent in 2017.
- Colorado inflation will be 2.7 percent in 2016 and 2017.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted, and the Governor signed, many bills during the 2016 Legislative Session. There were several areas of focus including education, healthcare, social programs and services, water conservation, and restructuring of cash funds. The following measures have a significant financial impact for Fiscal Year 2016-17:

- In accordance with the Public School Finance Act of 1994, the General Assembly appropriated an additional $135.5 million of state funds to the Department of Education. This appropriation includes an increase of $292.4 million from the General Fund and decreases totaling $156.9 million in cash funds.

- The Colorado Water Conservation Board (CWCB) was appropriated $7.9 million from the CWCB Construction Fund to support 11 projects and studies. Additionally, a one-time transfer of $5.2 million and a recurring annual transfer of $5.0 million were made from the Tax Perpetual Base Fund to the CWCB to fund studies, programs, and projects related to the Colorado Water Plan.

- The General Assembly transferred $20 million from the Children's Basic Health Plan Trust to the newly created Primary Care Provider Sustainability Fund. This fund was created for the purpose of increasing access to primary care through rate enhancements for primary care office visits and services. $20 million was also appropriated to the Department of Health Care Policy and Financing from the Primary Care Provider Sustainability Fund to pay for medical services premiums.

- The General Assembly appropriated $6.0 million from the Marijuana Tax Cash Fund to the Department of Human Services for the purpose of increasing access to effective substance use disorder services. This measure requires regional managed service organizations (MSOs) to submit action plans to the Department of Human Services and the Department of Health Care Policy and Financing to increase access to effective substance use disorder services in their geographic regions. $5.8 million of the appropriation is to be disbursed to MSOs and $.2 million of the appropriation is to be used by the Department of Human Services for operating costs and effectiveness evaluation.

- The Department of Public Health and Environment received an appropriation of $1.2 million from the Water Quality Improvement Fund to implement changes related to the Water Pollution Control Program. The program collects fees from permits from various sectors. This measure repeals the fee structure of the program and directs the Department to conduct a stakeholder process to determine the necessity and appropriateness of fees and submit a proposal to the Joint Budget Committee regarding the results. This measure also repeals the Water Quality Control Fund and creates separate, sector-specific cash funds to which fees from each sector are to be deposited.

- The General Assembly increased fees related to driver's licenses which will result in an increase in revenue to the Licensing Services Cash Fund (LCSF) in the amounts of $1.5 million, $2.1 million, and $2.6 million for fiscal years ending 2017, 2018, and 2019, respectively. This measure also reduced the General Fund appropriation to the Department of Revenue by $3.2 million while increasing the appropriation to the Department from the LCSF and Highway Users Tax Fund by $1.2 million and $2 million, respectively.

- The Governor's Office of Information Technology received an increase of $22.4 million reappropriated funds to support the operating costs of the Colorado Benefits Management System. These funds are first appropriated to the Department of Health Care Policy and Financing and the Department of Human Services, then is transferred to the Governor's Office of Information Technology for service provision.

- The General Assembly appropriated $18.9 million to the Department of Humans Services from cash funds to the Old Age Pension Fund (OAPF). The expenditures from the OAPF are driven by the size of the benefit and the number of qualified individuals. This appropriation aligns appropriations from the OAPF with actual expenditures.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly appropriates the annual State budget for ongoing programs at a line item level segregated by department, except for custodial funds, certain statutory cash funds, and most federal funds. New programs are funded for the first time through enabling legislation and are continued through the Long Appropriations Act in future periods. 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 rollforward based on express legislative direction or extenuating circumstances. The State Controller, with the approval of the Governor, may also allow expenditures in excess of the appropriated budget. This approval occurs at a budget line item level. Capital construction appropriations are normally effective for three years and do not require State Controller rollforward approval.

The State records the appropriated budget in its accounting system, the Colorado Operations Resource Engine (CORE), along with nonappropriated budgets for most federal awards, statutory cash funds, and custodial funds of the various departments. Revenues and expenditures are tracked by funding source – general, general exempt, cash, reappropriated and federal funds – and are designated appropriated or non-appropriated. Appropriated budgets include amounts that require a legislative appropriation authorizing spending, whereas non-appropriated budgets represent amounts that do not require an act of the legislature and are often referred to as informational only appropriations. The accounting system flags monies to be disbursed without sufficient spending authority. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A).

Encumbrances are recorded throughout the year and result in a reduction of the available spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. At fiscal year end, encumbrances lapse except those that represent appropriations that are approved for rollforward into the subsequent fiscal year, and legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund (see Note 41).

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

INDEPENDENT AUDIT

The State Auditor performs an audit of the Basic Financial Statements. The opinion of the State Auditor is on page 18 of this report. Besides annually auditing the statewide financial statements, the State Auditor has the authority to audit the financial statements and operations of the departments and institutions within State government.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

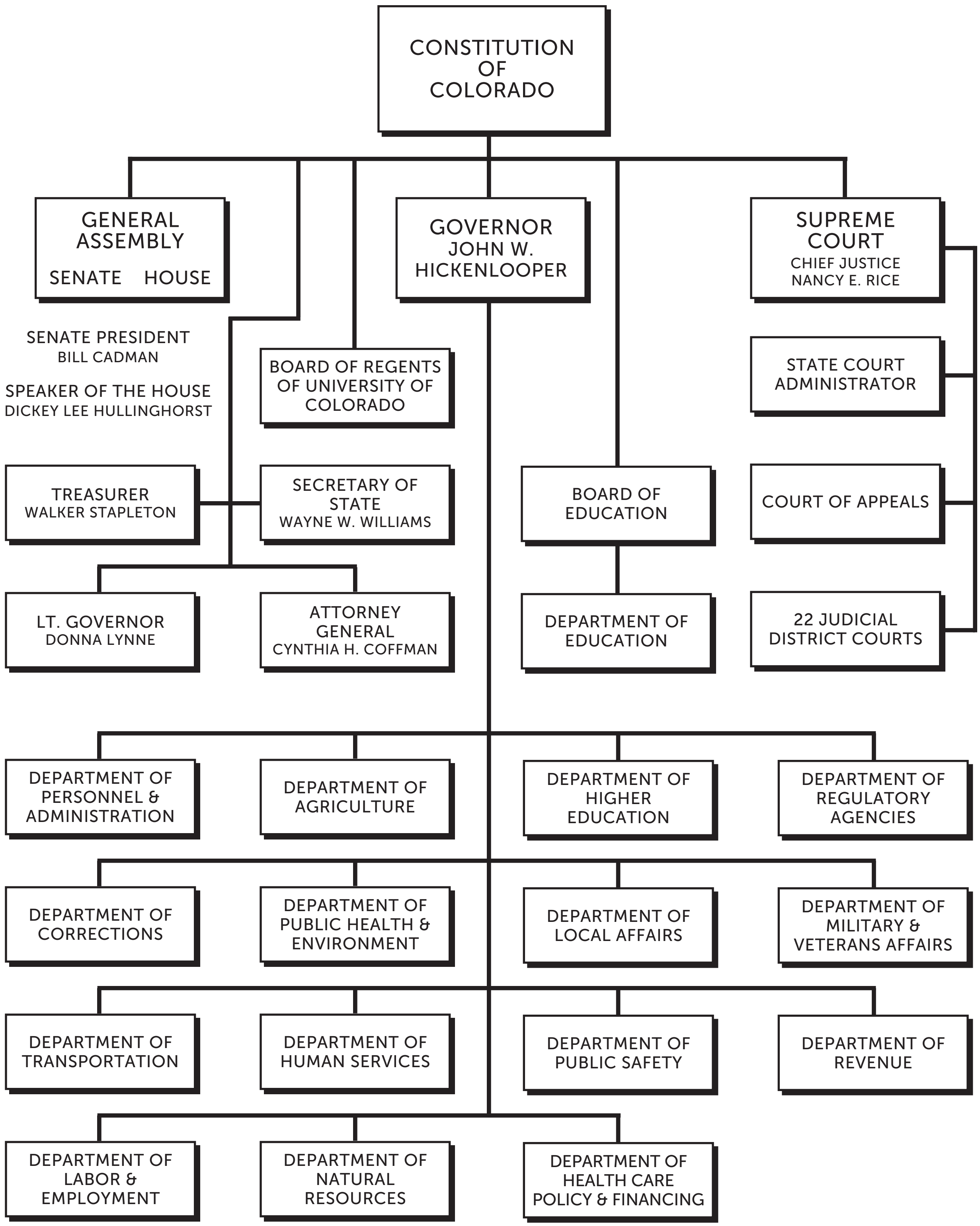
State of Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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 have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The State's management is responsible for the preparation and fair presentation of these financial statements 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 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 did not audit the financial statements of the discretely presented component units identified in Note 2, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit,

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

which represents approximately 4 percent of the total assets, 14 percent of the net position, and 12 percent of the total revenues of Higher Education Institutions, a major proprietary fund, and approximately 3 percent of the total assets, 9 percent of the net position, and 9 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, the University of Northern Colorado Foundation, and the University of Colorado Real Estate Foundation, which are discretely presented component units, and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2016, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budget and actual schedules – budgetary basis, and notes to the required supplementary information that include the defined benefit pension plan and other postemployment benefit information listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 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 the 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 and individual nonmajor fund financial statements, schedule of capital assets, schedule of other funds, non-appropriated budget and actual schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The transmittal letter, introductory section, the non-appropriated budget and actual schedule, 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.

The combining and individual nonmajor fund financial statements, schedule of capital assets, and the schedule of other funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the combining and individual nonmajor fund financial statements, schedule of capital assets, and the schedule of other funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards,* we will issue a separate report dated February 27, 2017, 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
February 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $10,589.3 million, a decrease in net position of $207.5 million as compared to the prior year amount of $10,796.8 million. Cash and restricted cash balances decreased by $210.3 million. Taxes Receivable, net of refunds payable, decreased by $187.8 million, while investments and restricted investments decreased by $89.2 million. Capital assets, net of accumulated depreciation, increased by $120.1 million, primarily due to infrastructure projects and the state's contribution to public school construction.

Assets of the State's business-type activities exceeded liabilities by $4,981.7 million, an increase in net position of $483.9 million as compared to the prior year amount of $4,497.8 million. The increase was partly attributable to increases in some current asset balances and additional infrastructure investments made by Higher Education Institutions. The Unemployment Insurance fund reported a $127.7 million, or 20.5 percent increase in net position due primarily to a reduction of $121.3 million in long-term liabilities. Additionally, the aggregated business-type activities reported in the Other Enterprises Fund reported a $209.6 million increase in net position attributable primarily to additional investments in capital assets. In total, considering both governmental and business-type activities, the net position of the State increased by $276.3 million to $15,570.9 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,609.4 million (prior year $6,846.8 million). The fund balance for all governmental funds decreased by $295.5 million from the prior year which was comprised of decreases in the General Fund, Resource Extraction Fund, and the State Education Fund, which were partially offset by increases in the Highway Users Tax Fund (HUTF), Capital Projects Fund, and Other Governmental Funds. The fund balance of the General Fund decreased by $157.0 million compared to the prior fiscal year due primarily to a 12.5 percent increase in transfers-out to other funds. General Fund revenues increased by 6.5 percent and expenditures increased by 7.0 percent relative to the prior fiscal year resulting in $350.1 million excess of revenues over expenditures for fiscal year 2015-16. State law requires that the General Purpose Revenue Fund portion of the General Fund maintain a reserve of 6.5 percent of General Purpose Revenue Fund appropriations. House Bill 16-1419 was signed into law and temporarily reduced the reserve requirement from 6.5 percent to 5.6 percent for fiscal year 2015-16. Absent additional law changes, the reserve requirement will return to 6.5 percent for fiscal year 2016-17 and beyond. The General Purpose Revenue Fund had $386.5 million on a GAAP basis to fund this reserve for fiscal year 2015-16. The fund balance of the Resource Extraction Fund decreased by $56.3 million due to declines in revenues from severance taxes, mineral leasing, and fee revenue. The HUTF fund balance increased by $42.9 million due primarily to an increase for transfers-in from other funds. The Capital Projects Fund increased by $49.5 million due to an increase in funding (transfer-in) from the General Purpose Revenue Fund. The State Education Fund decreased by $381.8 million primarily due to a planned spend-down of fund balance to maintain funding levels for education. The fund balance of the State Education fund has decreased over the last three fiscal years following a one-time transfer of $1.1 billion from the General Fund Surplus Fund in fiscal year 2012-13. The Other Governmental Funds increased by $207.2 million, due primarily to revenue increases across all Special Revenue Funds combined with smaller relative increases in expenditures.

Total net position for business-type activities was $4,981.7 million, of which $5,051.3 million was restricted for investment in capital assets, and $1,664.4 million restricted for the purposes of various funds which resulted in an unrestricted deficit of $1,734.1 million.

Debt Issued and Outstanding:

Governmental activities' liabilities for notes, bonds, and Certificates of Participation at June 30, 2016, were $1,346.3 million (prior year $1,532.9 million), which is 16.1 percent (prior year 17.6 percent) of financial assets (cash, receivables, and investments) and 6.4 percent (prior year 7.2 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. The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total $4,747.2 million (prior year $4,670.3 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.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenue in excess of the limit. Any excess must be refunded to the taxpayers unless otherwise approved by the voters. Referendum C was approved by voters in November 2005 which allows the State to retain revenues in excess of the TABOR limit for fiscal years 2005-06 through 2009-10. The State was under the Referendum C Excess State Revenue Cap for fiscal year 2015-16 by $122.1 million. The $31.4 million TABOR Refund Liability reported on the financial statements is expected to be refunded during fiscal year 2016-17. Refer to page 31 for more information on the TABOR requirements and Referendum C.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

Government-wide Statements

The government-wide statements focus on the government as a whole. These statements are similar to those reported by businesses in the private sector, but they are not consolidated financial statements because certain intra-entity transactions have not been eliminated. Using the economic resources perspective and the accrual basis of accounting, these statements include all assets, 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 indicate the State is worse off.

The *Statement of Activities* shows how the financial position has changed since the beginning of the fiscal year. The most significant financial measure of the government's current activities is presented in the line item titled "Change in Net 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 2 on page 71.

Fund-Level Statements

The fund-level statements present additional detail about the State's financial position and activities. However, some fund-level statements present information that is different from the government-wide statements due to the 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.

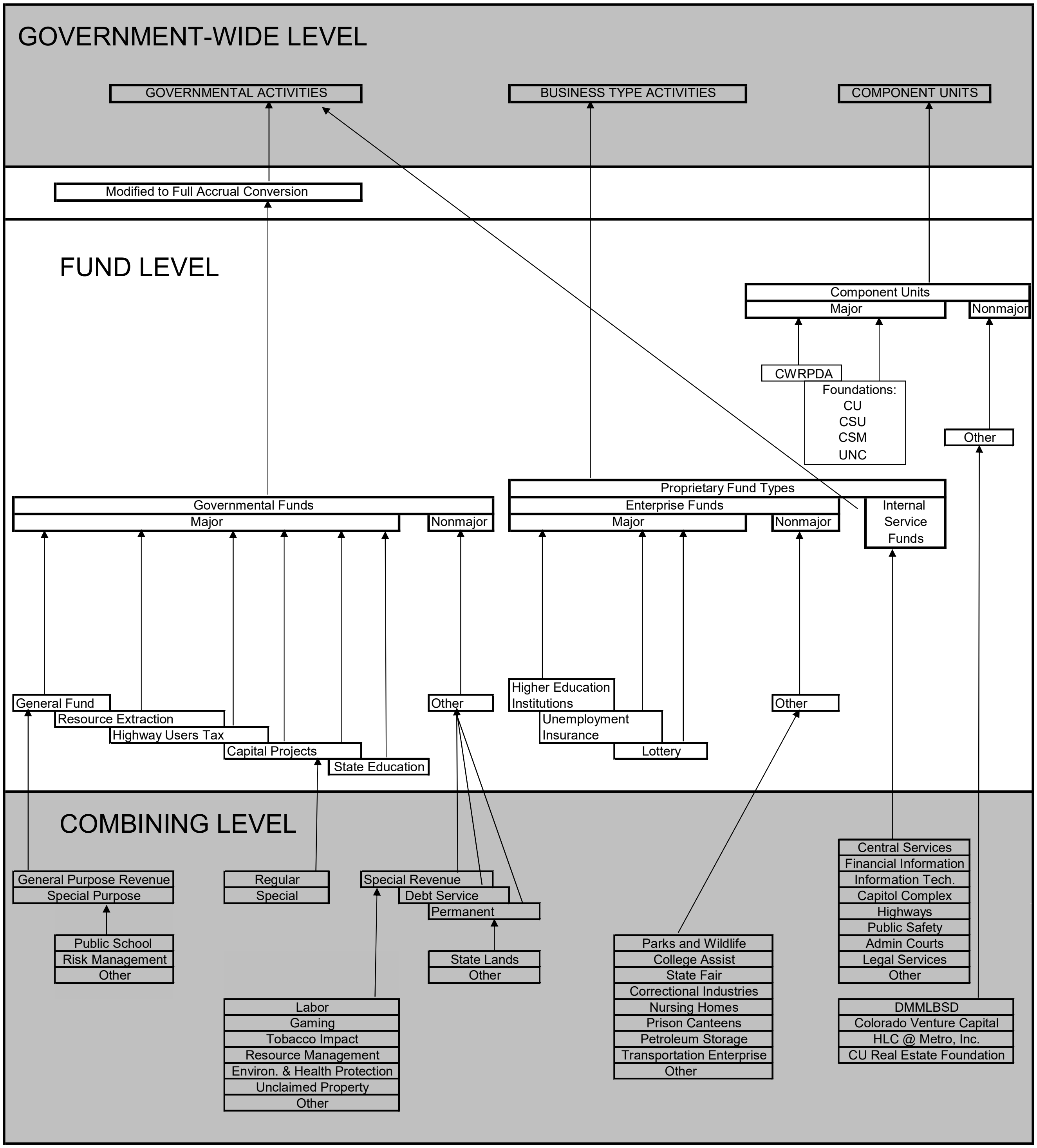
Notes to Basic Financial Statements

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; they occur only in fund-level statements.


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
Major
Nonmajor
CWRPDA
Foundations:
CU
CSU
CSM
UNC
Other
Proprietary Fund Types
Governmental Funds
Major
Nonmajor
Enterprise Funds
Major
Nonmajor
Internal Service Funds
General Fund
Resource Extraction
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
Lottery
Other
COMBINING LEVEL
General Purpose Revenue
Special Purpose
Public School
Risk Management
Other
Regular
Special
Special Revenue
Debt Service
Permanent
State Lands
Other
Labor
Gaming
Tobacco Impact
Resource Management
Environ. & Health Protection
Unclaimed Property
Other
Parks and Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Transportation Enterprise
Other
Central Services
Financial Information
Information Tech.
Capitol Complex
Highways
Public Safety
Admin Courts
Legal Services
Other
DMMLBSD
Colorado Venture Capital
HLC @ Metro, Inc.
CU Real Estate Foundation

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Noncapital Assets	$ 9,179,140	$ 9,519,728	$ 6,585,468	$ 6,486,424	$ 15,764,608	$ 16,006,152
Capital Assets	11,860,988	11,740,878	8,702,667	7,978,950	20,563,655	19,719,828
Total Assets	21,040,128	21,260,606	15,288,135	14,465,374	36,328,263	35,725,980
Deferred Outflow of Resources	818,761	350,796	649,853	348,635	1,468,614	699,431
Current Liabilities	2,698,094	2,851,809	1,555,522	1,587,527	4,253,616	4,439,336
Noncurrent Liabilities	8,438,154	7,915,537	9,150,755	8,690,274	17,588,909	16,605,811
Total Liabilities	11,136,248	10,767,346	10,706,277	10,277,801	21,842,525	21,045,147
Deferred Inflow of Resources	133,375	47,262	250,058	38,380	383,433	85,642
Net Investment in Capital Assets	11,330,474	10,654,690	5,051,345	4,417,947	16,381,819	15,072,637
Restricted	3,236,095	3,507,907	1,664,396	1,496,411	4,900,491	5,004,318
Unrestricted	(3,977,303)	(3,365,803)	(1,734,088)	(1,416,530)	(5,711,391)	(4,782,333)
Total Net Position	$ 10,589,266	$ 10,796,794	$ 4,981,653	$ 4,497,828	$ 15,570,919	$ 15,294,622

The amount of total net position is one measure of the health of the State's finances. 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 net investment in capital assets of $16,381.8 million for governmental and business-type activities combined represents an increase of $1,309.2 million compared to the prior fiscal year. Governmental activities had an increase of $675.8 million in net investment in capital assets attributable primarily to transportation projects, public school construction, and purchases of vehicles and equipment. Business-type activities reported a $633.4 million increase in net investment in capital assets primarily due to continued capital investments being made by Higher Education Institutions and the Other Enterprise Funds. Net investment in capital assets is a noncurrent asset and therefore not available to meet related debt service requirements which must be paid from current revenues or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $4.9 billion, or 31.5 percent of net position. Restricted assets decreased by $103.8 million relative to the prior year while total net position increased by $276.3 million. 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 fund balance include the constitutionally mandated State Education Fund, the Highway Users Tax Fund, and resources pledged to debt service. Restricted net position for governmental activities decreased by $271.8 million while business-type activities reported an increase in restricted net position of $168.0 million.

The unrestricted component of total net position is a negative $5.7 billion for the fiscal year ended June 30, 2016. 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. This is primarily due to a $10.3 billion net pension liability which is reported only at the government-wide level for which the state does not have any related assets. Other long-term liabilities, such as bonds and certificates of participation payable, have related capital assets while the net pension liability does not. The State's current liabilities reported on the Statement of Net Position decreased by $185.7 million and noncurrent liabilities increased by $983.1 million from the prior fiscal year.

The change in net position from the prior fiscal year is another important measure of the State's financial health. The following condensed statement of activities shows that for governmental activities, expenses and transfers-out were greater than revenues and transfers-in which resulted in a decrease to net position of $265.7 million. Program revenues for governmental activities increased by $1,082.2 million (10.3 percent). General revenues for governmental activities increased by $143.3 million (1.3 percent) due to increased tax collections. Expenses for governmental activities increased by $1,634.6 million (7.6 percent) from the prior year. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

Programs/Functions	Governmental Activities 2015-16	Governmental Activities 2014-15	Business-Type Activities 2015-16	Business-Type Activities 2014-15	Total Primary Government 2015-16	Total Primary Government 2014-15
Program Revenues:						
Charges for Services	$ 2,173,376	$ 1,944,468	$ 5,937,454	$ 5,690,437	$ 8,110,830	$ 7,634,905
Operating Grants and Contributions	8,578,146	7,726,668	2,449,163	2,281,931	11,027,309	10,008,599
Capital Grants and Contributions	819,321	817,469	42,996	78,304	862,317	895,773
General Revenues:						
Taxes	10,346,832	10,163,812	-	7	10,346,832	10,163,819
Restricted Taxes	1,132,687	1,186,515	-	-	1,132,687	1,186,515
Unrestricted Investment Earnings	15,705	11,992	-	-	15,705	11,992
Other General Revenues	107,005	96,613	-	-	107,005	96,613
Total Revenues	23,173,072	21,947,537	8,429,613	8,050,679	31,602,685	29,998,216
Expenses:						
General Government	485,611	449,261	-	-	485,611	449,261
Business, Community, and Consumer Affairs	777,458	711,558	-	-	777,458	711,558
Education	5,859,964	5,687,573	-	-	5,859,964	5,687,573
Health and Rehabilitation	2,898,841	822,556	-	-	2,898,841	822,556
Justice	2,209,158	2,075,534	-	-	2,209,158	2,075,534
Natural Resources	135,491	120,374	-	-	135,491	120,374
Social Assistance	8,825,599	9,627,104	-	-	8,825,599	9,627,104
Transportation	1,830,368	1,896,904	-	-	1,830,368	1,896,904
Interest on Debt	62,021	59,078	-	-	62,021	59,078
Higher Education Institutions	-	-	6,446,902	6,004,484	6,446,902	6,004,484
Unemployment Insurance	-	-	531,607	530,130	531,607	530,130
Lottery	-	-	517,847	474,578	517,847	474,578
Parks and Wildlife	-	-	203,794	191,426	203,794	191,426
College Assist	-	-	320,774	338,631	320,774	338,631
Other Business-Type Activities	-	-	282,471	217,838	282,471	217,838
Total Expenses	23,084,511	21,449,942	8,303,395	7,757,087	31,387,906	29,207,029
Excess (Deficiency) Before Contributions, Transfers, and Other Items	88,561	497,595	126,218	293,592	214,779	791,187
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(352,733)	(256,738)	352,733	256,738	-	-
Internal Capital Contributions	(1,583)	-	10,183	-	8,600	-
Permanent Fund Additions	80	401	-	-	80	401
Total Contributions, Transfers, and Other Items	(354,236)	(256,337)	362,916	256,738	8,680	401
Total Changes in Net Position	(265,675)	241,258	489,134	550,330	223,459	791,588
Net Position - Beginning	10,796,794	10,562,162	4,497,828	3,947,498	15,294,622	14,509,660
Prior Period Adjustment (See Note 29A)	58,147	(6,626)	(5,309)	-	52,838	(6,626)
Net Position - Ending	$10,589,266	$ 10,796,794	$ 4,981,653	$ 4,497,828	$15,570,919	$15,294,622

Business-type activities' revenues and net transfers-in, in the preceding table, exceeded expenses by $489.1 million resulting in an increase in net position. From the prior year to the current year, program revenue from business-type activities increased by $378.9 million and expenses increased by $546.3 million.

When looking at the total change in net position from the prior year, including all prior period adjustments, the net position from the prior year increased $276.3 million, or 1.8 percent.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal year 2015-16 is the twenty third year of State operations under Article X, Section 20 of the State Constitution revenue limitations, also known as the Taxpayer Bill of Rights or TABOR. With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include 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 2005-06 through fiscal year 2009-10. Referendum C had additional provisions and effects that are discussed below.

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

The TABOR limits are calculated and applied at the statewide level. 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.

In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In fiscal years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in fiscal years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in fiscal year 2003-04 precluded TABOR refunds in those years. The State was required to refund $41.1 million in fiscal year 2004-05.

After the Referendum C five-year excess revenue retention period that encompassed fiscal year 2005-06 through fiscal year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in fiscal year 2010-11. Calculation of the TABOR retention limit continues to apply, but the ESRC replaces it as the limit that triggers tax payer refunds.

The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in fiscal year 2007-08, and the ratchet down provision does not apply to the ESRC.

For fiscal year 2015-16, unaudited State revenues subject to TABOR were $12,824.4 million, which was $122.1 million under the ESRC, and $2,396.8 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit. At the end of fiscal year 2015-16 total refunds were $3,450.6 million since the inception of TABOR. At June 30, 2016 the State reported total TABOR refunds payable of $31.4 million.

During fiscal year 2015-16, Fort Lewis College and Western State Colorado University disqualified as TABOR-exempt enterprises, which resulted in an increase of $59.3 million of newly qualified TABOR revenue. Adams State University re-qualified as a TABOR-exempt enterprise, which resulted in a TABOR revenue decrease of

$16.9 million. As required by TABOR, the State Controller makes the qualification of new enterprises and disqualification of existing TABOR enterprises neutral in the excess revenue calculation. In fiscal year 2015-16, the TABOR limit was increased by total of $42.4 million related to these changes in the TABOR district.

Referendum C

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

- The State shall be authorized to retain and spend all revenues in excess of the limit on spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.

- After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.

- A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each fiscal year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is limited to five percent of personal income, with certain adjustments.

- The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.

- The State retained $3,593.6 million during the five-year refund time-out period (fiscal year 2005-06 through 2009-10) authorized by Referendum C, and $11,179.8 million from fiscal year 2010-11 through 2015-16 due to the increasing ESRC as compared to TABOR limit, for a total of $14,773.4 million of retained Referendum C revenue.

INDIVIDUAL FUND ANALYSIS

General Fund

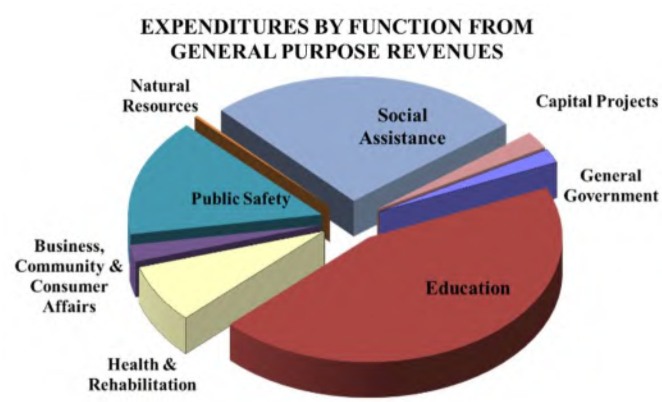
The General Fund is the focal point in determining the State's ability to maintain or improve its financial position. The General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund, Risk Management, 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. Augmenting revenues include federal funds, transfers-in, fees and charges, or specific user taxes. Augmenting revenues are usually limited as to how they can be spent. Even though significant federal grant revenues are accounted for in the General Purpose Revenue Fund, they have little impact on fund balance because most federal revenues are earned on a reimbursement basis and are closely matched with federal expenditures.

The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $1,076.6 million, $451.4 million of which was attributable to the General Purpose Revenue Fund, including non-spendable, restricted, committed, and assigned amounts. The General Purpose Revenue Fund decreased by $202.2 million from the prior fiscal year attributable to activities of fiscal year 2015-16. In fiscal year 2015-16, the State was able to fund the General Fund Statutory Reserve of $466.0 million on a budgetary basis, but was only able to reserve $386.5 million on a GAAP basis. The shortfall of $79.5 million in meeting the reserve on a GAAP basis was greater than the $52.6 million shortfall in the prior year, despite the reserve requirement decreasing by $110.5 million. The General Purpose Revenue Fund's $124.6 million year-end unrestricted cash and pooled cash balance decreased by $73.2 million from the prior year.

General Purpose revenues for fiscal years 2015-16 and 2014-15 were $17,973.0 million and $16,869.9 million, respectively – an increase of $1,103.0 million, or 6.5 percent. The largest contributor to the increase in general-purpose revenue was from federal grants and contracts which increased by $803.2 million or 11.3 percent ($736.1 million from the Title XIX Medicaid Program). Sales and use taxes also increased by $187.0 million or 6.9 percent over the prior year generally due to improving economic conditions. The only significant decline occurred with corporate income taxes which decreased $28.7 million, or 4.5 percent.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during fiscal years 2015-16 and 2014-15 were $9,637.7 million (see page 167) and $9,053.2 million, respectively. For fiscal year 2015-16, the total annual increase in general-funded appropriations was limited to 5.6 percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process.

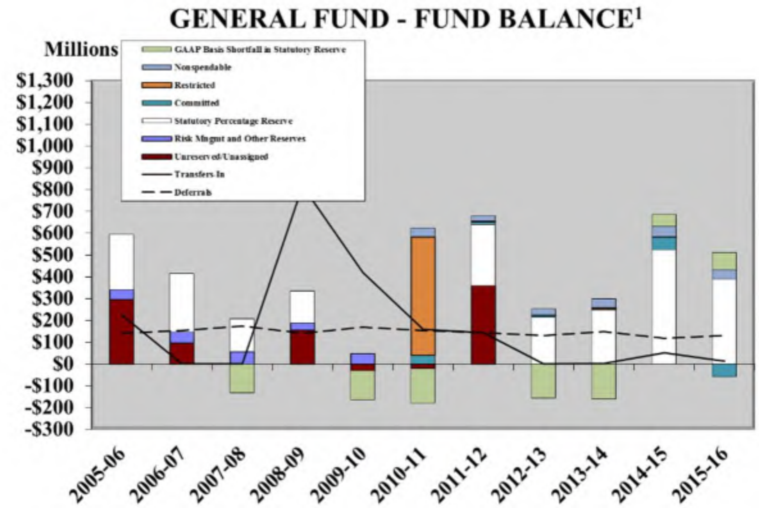
The special purpose portion of the General Fund's fund balance totaled $625.2 million at June 30, 2016. This comprises the State Public School Fund, Risk Management activities and Other Special Purpose Funds.



With expenditures reported using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 79.2 percent of all fiscal year 2015-16 general-funded expenditures, which was consistent with the prior year. The largest increases were in the Departments of Health Care Policy and Financing, Education, Higher Education, Revenue, Human Services, and Corrections. The Department of Health Care Policy and Financing's expenditures increased by $167.6 million, or 7.2 percent, due to eligibility and funding changes that are occurring with the national Medicaid modernization efforts and growth in Medicaid populations. The Department of Education's expenditures increased by $120.7 million, or 3.6 percent, due to increased enrollment, required annual increases in funding, and provisions of the School Finance Act. The Department of Higher Education's expenditures increased by $95.5 million, or 12.6 percent, related to the restoration of state funding to public institutions of higher education (an increase of $70.0 million) as well as student financial aid (an increase of $18.4 million). The Department of Revenue's expenditures increased by $61.2 million, or 28.8 percent. The Department of Human Services' expenditures increased by $45.2 million, or 5.8 percent, primarily due to increases in mental health programs, information technology projects, child welfare and abuse prevention, and children and youth programs. Finally, the Department of Correction's expenditures increased by $40.5 million, or 5.6 percent. There were two significant decreases in departmental expenditures compared to the prior fiscal year. The Department of Public Health and Environment's expenditures decreased by $10.2 million, or 16.9 percent, and the Department of Public Safety's expenditures decreased by $12.5 million, or 9.9 percent.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in fiscal year 2002-03 and subsequent years. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and the budgetary basis fund balance of the General Fund. During fiscal year 2015-16, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $98.9 million of payroll, $90.5 million of Medicaid, and $0.6 million of OIT expenditures into fiscal year 2016-17. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $59.1 million. In total, $12.8 million more (net expenditure and revenue deferrals) was deferred into fiscal year 2015-16 compared to fiscal year 2014-15.

The chart shows the changes in the major classifications of fund balance for the General Fund in accordance with generally accepted accounting principles (GAAP). Statutes in effect for fiscal year 2015-16 require a 5.6 percent fund balance reserve of $466.0 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by $79.5 million. On a budgetary basis, there were deferrals of $130.9 million of payroll, Medicaid, and other costs into fiscal year 2016-17. The deferrals and transfers-in have prevented shortfalls on a GAAP basis in each year except fiscal years 2005-06, 2006-07, 2008-09, and 2011-12 when adequate resources were available for a positive statutory reserve.



[1] Beginning in Fiscal year 2010-11, the implementation of GASB Statement No. 54 modified the required fund balance classifications. As a result, Risk Management and other Special Purpose Funds became part of General Fund fund balance. The General Purpose Revenue portion of the General Fund primarily comprises the Statutory Reserve and Unassigned balances, and the Special Purpose Revenue portion of the General Fund the remaining balances.

Resource Extraction Fund

The fund balance of the Resource Extraction Fund decreased by $56.3 million, or 4.1 percent, from the prior fiscal year. Revenues of the fund, including severance taxes, mineral leasing, and fees associated with regulation of mining activities, decreased by $252.6 million, or 54.9 percent. Severance taxes decreased $204.4 million as a surplus in supply of oil and natural gas resulted in a decline in exploration and production. A Colorado Supreme Court decision affected the deductibility of certain costs by energy companies in the calculation of severance taxes due to the state which also contributed to the decline. Additionally, there was a decrease of $50.9 million in federal grants and contracts due to declining coal production. Expenditures include distributions to local governments, regulatory costs, and construction loans made to local governments and special districts to enhance the use of water resources of the State. A significant portion, $417.6 million, of the fund's total fund balance of $1,310.9 million, relates to long-term loans receivable from the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable increased by $21.5 million, or 5.4 percent, compared to the prior fiscal year.

Highway Users Tax Fund

The fund balance of the Highway Users Tax Fund (HUTF) increased by $42.9 million (4.3 percent) from the prior fiscal year. Revenues, expenditures, and transfers-out were consistent with the prior fiscal year. Capital outlay decreased $38.6 million (47.4 percent) from the prior fiscal year due to the completion of several multi-year projects during fiscal year 2015-16. The increase in fund balance was primarily attributable to an increase of $194.9 million for transfers-in compared to the prior fiscal year. Legislation in response to the economic downturn eliminated General Purpose Revenue Fund Surplus diversions to the HUTF. The transfer from the General Fund to the HUTF resumed in fiscal year 2015-16, which is the majority of the total transfers-in to the fund. The HUTF's total fund balance of $1,031.4 million is almost entirely (94.5 percent) restricted due to provisions of the State constitution which requires spending only for highway construction and maintenance. This restriction totals $975.0 million at June 30, 2016.

Capital Projects Fund

The fund balance of the Capital Projects Fund increased by $49.5 million (14.7 percent) from the prior fiscal year primarily due to increased funding from the General Purpose Revenue Fund. Transfers-in from the General Fund increased from $254.3 million in fiscal year 2014-15 to $275.7 million in fiscal year 2015-16 (8.4 percent). Total expenditures of the fund were $91.9 million in fiscal year 2015-16, an increase of $36.4 million, or 65.6 percent, compared to the prior fiscal year. The increase in expenditures was primarily in capital outlay and general government (construction services and building and land purchases totaling $24.4 million). Investment in capitalized Information Technology assets increased by $15.5 million.

State Education Fund

The fund balance of the State Education Fund declined by $381.8 million (55.6 percent) during fiscal year 2015-16. The fund balance has declined each since fiscal year 2012-13, which was the last year for a significant transfer-in from the General Fund, which was $1,073.5 million. The fund balance decline is due to efforts to maintain funding levels for public education during a time of statewide budget constraints. The majority of revenues for the fund are derived from a fixed percentage of certain taxpayer tax liabilities, which totaled $522.6 million and was an overall increase of $2.8 million relative to the prior fiscal year; an increase in revenues from individual and fiduciary income taxes of $14.7 million combined with a decrease in corporate income taxes of $11.9 million. Additionally, $25.3 million was transferred from the General Fund which was consistent with the transfer made from the General Fund in the prior fiscal year. Expenditures of the fund are limited by a constitutional amendment to certain educational programs meeting growth requirements in other programs. Expenditures of the fund totaled $886.1 million and $873.3 million in fiscal year 2015-16 and 2014-15, respectively.

Higher Education Institutions

The net position of the Higher Education Institutions fund increased from the prior fiscal year by $147.1 million, or 5.1 percent, which includes the effect of a negative $5.3 million prior period adjustment. The fund has a variety of revenue and funding sources which, overall, were relatively consistent with the prior fiscal year. However, tuition and fees of the institutions increased by $116.1 million due to enrollment and tuition increases and sales of goods and services increased by $170.0 million from the provision of student health services, room and board, bookstore and athletics revenues. In addition, federal grants and contacts increased by $42.5 million and other operating revenues increased by $57.8 million. Investment income decreased by $11.6 million from the prior fiscal year. Overall, total operating revenues increased by 7.3 percent while total operating expenses increased by 7.2 percent. Higher Education Institutions received capital contributions of $43.7 million and $71.0 million in fiscal years 2015-16 and 2014-15, respectively. Transfers-in to the Higher Education Institutions fund totaled $418.9 million for fiscal year 2015-16, an increase of 21.8 percent 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.

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) increased by $127.7 million (20.5 percent). Unemployment benefits paid declined by $5.0 million compared with a decline of $230.4 million during the prior fiscal year. The change in benefits paid is mirrored by a decrease of $6.5 million in federal grants received. Unemployment insurance premiums collected decreased by $94.9 million relative to the prior fiscal year due to a decrease in rates. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. Statutes were amended in the 2012 special legislative session to allow UI to issue bonds through the Colorado Housing and Finance Authority. UI bonds serve to stabilize insurance premium taxes that employers are required to pay through special assessments. The fund reports bonds payable of $125.4 million as of June 30, 2016. The fund's cash and pooled cash balance was $757.4 million, an increase of $22.9 million, or 3.1 percent, compared to the prior fiscal year.

State Lottery

The net position of the State Lottery fund decreased by $0.6 million, or a decline of 3.1 percent. The State Lottery generated operating income of $142.6 million for fiscal year 2015-16 which was up from $127.1 million reported for fiscal year 2014-15 on sales of goods and services of $594.4 million ($538.0 million for fiscal year 2014-15). The overall change represents a 12.2 percent increase in operating income due to a record Powerball jackpot of nearly $1.6 billion which led to lottery ticket sales growth. The Lottery distributed $63.7 million ($62.0 million in fiscal year 2014-15, a 2.8 percent increase) to the Great Outdoors Colorado program, a related organization, and transferred $80.3 million ($66.5 million in fiscal year 2014-15) to other State funds; $14.4 million primarily to fund operations of the State's Division of Parks and Recreation, $57.4 million to local governments through the Conservation Trust Fund, and $8.1 million to fund K-12 public school capital construction through the Building Excellent Schools Today grant program. Because of the requirement to distribute most of its income, the Lottery's net position, except the portion related to pension liabilities, is minimal and changes nominally from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 167. 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 significant amounts that impacted the change.

- Department of Corrections' net decrease was $16.8 million.
  - $42.2 million increase for Personal Services including Health, Life and Dental costs, and
  - $28.6 million decrease for PERA Amortization Equalization Disbursement.
- Department of Education's net decrease was $89.5 million
  - $93.5 million decrease for State Share of Districts Total Program Funding.
- Governor's Office's net decrease was $6.2 million
  - $4.5 million decrease for Economic Development Commission.
- Department of Health Care Policy and Financing's decrease was $8.0 million
  - $22.3 million increase for Medical and Long Term Care Services for Medicaid Eligible Individuals, and
  - $20.9 million decrease for Behavioral Health Capitation and Service Payments.
- Department of Human Services' net increase was $15.9 million
  - $17.9 million increase for Personal Services including Health, Life, and Dental costs, and
  - $12.9 million decrease for PERA Amortization Equalization Disbursement, and
  - $6.8 million increase for Colorado Benefits Management System modernization, and
  - $6.7 million increase for Child Welfare Services.
- Department of Public Safety's net decrease was $5.4 million
  - $3.0 million decrease for Community Corrections Placements and Facility Payments.
- Department of Revenue's net increase was $110.2 million
  - $108.3 million increase for Old Age Pension.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $15.3 million for fiscal year 2015-16 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 84 at the individual line item appropriation level. In total, State departments reported general-funded appropriations reversions of $52.3 million. In addition, departments reverted $17.8 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Health Care Policy and Financing – The department reverted $17.9 million (0.7 percent) primarily comprising:
  - $8.4 million in the Regional Centers line, and
  - $2.4 million in the Behavioral Health Capitation Payments line, and
  - $1.1 million in the Division of Community and Family Support Early Intervention Services line.
- Department of Human Services – The department reverted $9.8 million (1.2 percent) primarily comprising:
  - $1.9 million in the Home Care Allowance and Home Care Allowance Grant lines, and
  - $1.3 million in the Community Transition Services line, and
  - $0.9 million in the Purchases of Contract Placements line, and
  - $0.7 million in the Child Welfare Services line, and
  - $0.6 million in the line item for the Crisis Response System for Walk-in, Stabilization, Mobile, Residential, and Respite Services, and
  - $0.5 million in the Rural Co-occurring Disorder Services line.
- Department of Corrections – The department reverted $6.0 million (0.8 percent) primarily comprising:
  - $3.9 million in the Purchases of Medical Services from Other Medical Facilities line, and
  - $0.6 million in the Purchase of Pharmaceuticals line, and
  - $0.4 million in the Utilities line, and
  - $0.4 million in the Payments to In-State Private Prisons line.
- Department of Public Safety – The department reverted $6.0 million (5.0 percent) primarily comprising:
  - $2.8 million in the Community Corrections Placements line, and
  - $2.3 million in the Wildland Fire Management Services line.
- Department of Judicial – The department reverted $2.7 million (0.6 percent) primarily comprising:
  - $1.3 million related in the Personal Services line, and
  - $0.6 million in the Leased Space/Utilities line.
- Department of Treasury - The department reverted $2.2 million (1.6 percent) primarily comprising:
  - $2.2 million in the Reimbursement to County Treasurers line.
- Department of Revenue – The department reverted $1.7 million (0.6 percent) primarily comprising:
  - $0.8 million in the Old Age Heat and Fuel and Property Tax Assistance Grant line.
- Department of Local Affairs – The department reverted $1.5 million (5.4 percent) primarily comprising:
  - $0.7 million in the Local Government Field Services (Rural Economic Developments) line, and
  - $0.6 million in the Volunteer Firefighter Retirement Plan line.
- Governor's Office – The office reverted $1.1 million (3.1 percent) primarily comprising:
  - $0.5 million in the Colorado Office of Film, Television and Media line, and
  - $0.2 million in the Economic Development Commission line.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's net investment in capital assets at June 30, 2016, was $16.4 billion ($15.1 billion in fiscal year 2014-15). Included in this amount were $17.1 billion of depreciable capital assets after reduction for $10.7 billion of accumulated depreciation. Also included was $3.5 billion of land, construction in progress, and non-depreciable infrastructure and other assets. The State added $849.1 million and $940.7 million of capital assets in fiscal year 2015-16 and 2014-15, respectively. Of the fiscal year 2015-16 additions, $120.1 million was recorded by governmental funds and $729.0 million was recorded by business-type activities. General-purpose revenues funded $271.1 million of capital and controlled maintenance expenditures during fiscal year 2015-16 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, 2016 and 2015, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 118	$ 112	$ 566	$ 542	$ 684	$ 654
Collections	11	11	27	25	38	36
Other Capital Assets	2	1	15	15	17	16
Construction in Progress	757	898	1,006	1,180	1,763	2,078
Infrastructure	964	946	38	25	1,002	971
Total Capital Assets Not Being Depreciated	1,852	1,968	1,652	1,787	3,504	3,755
Capital Assets Being Depreciated						
Buildings and Related Improvements	3,226	2,903	9,076	8,331	12,302	11,234
Software	309	297	228	201	537	498
Vehicles and Equipment	908	870	1,083	1,046	1,991	1,916
Library Books, Collections, and Other Capital Assets	43	44	561	539	604	583
Infrastructure	11,424	11,041	855	446	12,279	11,487
Total Capital Assets Being Depreciated	15,910	15,155	11,803	10,563	27,713	25,718
Accumulated Depreciation	(5,901)	(5,381)	(4,752)	(4,374)	(10,653)	(9,755)
Total	$ 11,861	$ 11,742	$ 8,703	$ 7,976	$ 20,564	$ 19,718

The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. TABOR does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the State has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and State highway users taxes. Through the Colorado Housing and Finance Authority, the Division of Unemployment Insurance, a TABOR designated enterprise, issued bonds to spread the impact of the increased premiums resulting from the recession. The bonds will be repaid through employer insurance premiums collected over the life of the bonds. 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 24). Revenue bonds in this schedule include net payments on interest rate swap derivatives.

Fiscal Year 2015-16
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 150.7	$ 17.1	$ 127.9	$ 2.7	$ 1,205.2	$ 675.1	$ 1,483.8	$ 694.9
Business-Type Activities	57.1	10.0	4,320.6	2,755.6	372.7	110.0	4,750.4	2,875.6
Total	$ 207.8	$ 27.1	$ 4,448.5	$ 2,758.3	$ 1,577.9	$ 785.1	$ 6,234.2	$ 3,570.5

Fiscal Year 2014-15
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 172.3	$ 26.8	$ 289.8	$ 12.9	$ 1,227.8	$ 730.6	$ 1,689.9	$ 770.3
Business-Type Activities	54.3	9.5	4,242.8	2,738.4	399.2	127.2	4,696.3	2,875.1
Total	$ 226.6	$ 36.3	$ 4,532.6	$ 2,751.3	$ 1,627.0	$ 857.8	$ 6,386.2	$ 3,645.4

For fiscal year 2015-16, the total principal amount of capital leases, revenue bonds, and COPs was 39.6 percent of noncapital assets, as compared to 39.9 percent in the prior year. This percentage declined because noncapital assets decreased 1.5 percent while the principal amount of capital leases, revenue bonds, and COPs decreased 2.3 percent. The decrease in governmental activities was related to principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($159.3 million) and the fact that there were not any significant new issuances of COPs. Business-type activities increased primarily due to additional financing of capital projects by Higher Education Institutions. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,196, $1,221, $1,200, $1,159 and $1,180 per person in fiscal years 2015-16, 2014-15, 2013-14, 2012-13 and 2011-12, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the fiscal year 2014-15 Management's Discussion and Analysis continue to affect the State at the end of fiscal year 2015-16, as follows:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the State to retain all revenues in excess of the TABOR limit for a five-year period from fiscal year 2005-06 through fiscal year 2009-10. During that period, the State retained $3,593.6 million that otherwise would have been required to be refunded to State taxpayers. No amounts were retained in fiscal years 2008-09 or 2009-10. Referendum C created an Excess State Revenue Cap (ESRC) that increases each year for inflation and population growth and allows the State to retain and spend amounts above the TABOR limit and below the ESRC. This provision removes the effect of the TABOR ratchet down provision (discussed earlier in this MD&A). However, economic recovery and State revenue growth rates in excess of the population and inflation adjustment will result in future refunds of TABOR revenues in excess of the ESRC. As discussed earlier, the ESRC was exceeded during fiscal year 2014-15 which resulted in a TABOR refund payable liability at June 30, 2016 of $31.4 million. No TABOR refund resulted from the operations of fiscal year 2015-16.
- Pension Plan Contributions
  - Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns in subsequent years, most recently 15.6 percent, 5.7 percent, and 1.6 percent in 2013, 2014, and 2015, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 57.6 percent at December 31, 2015.
  - In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 legislative session. In the 2010 legislative session, the General Assembly extended the increases

required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 17.45 percent in 2014 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.

- For 2015, the actuarially determined contribution (ADC) rate was 22.35 percent. The deficiency of the statutory contribution rate compared to the ADC is expected to continue until all of the benefit and contribution reforms in statute are fully implemented.
- Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State Division of the plan include reducing the former 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires on or after January 1, 2011, to 90 for new hires on or after January 1, 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. On October 20, 2014, after several proceedings, the Colorado Supreme Court ruled in favor of PERA.
- To provide budgetary relief for the State, Senate Bill 10-146 required that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunset as of June 30, 2012.

- 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 in 2000 and the deterioration of general-funded revenues during fiscal years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in fiscal year 2010-11, revenues in excess of the TABOR limit were not refunded in fiscal year 2014-15. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For fiscal year 2015-16, $944.7 million was budgeted from the State Education Fund. Revenues included $25.3 million in direct transfers in from the General Fund in addition to the exempted portion of revenues collected under Amendment 23. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have 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 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During fiscal year 2007-08, similar treatment was extended to certain Old Age Pension, Medicare, and Children's Basic Health Plan expenditures. In fiscal year 2008-09, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date

shift beginning in fiscal year 2010-11 to all information technology staff formerly paid by the General 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 ($59.1 million net of related deferred revenue in fiscal year 2015-16) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2011-12, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2012-13. 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 $124.6 million at June 30, 2016, providing apparent liquidity. The General Purpose Revenue Fund taxes receivable increased by $68.3 million to $1,435.6 million, tax refunds payable increased by $140.8 million to $792.9 million, and deferred inflows related to the tax receivables that are not expected to be collected within the next year also increased by $39.9 million to $218.3 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

  - Principal and interest payments on the remaining $127.9 million of Transportation Revenue Anticipation Notes issued by the Colorado Department of Transportation will be made during fiscal year 2016-17. No debt service for these notes extends beyond fiscal year 2016-17. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.

  - In Fiscal Year 2010-11, the Bridge Enterprise in the Department of Transportation issued $300.0 million of enterprise fund revenue bonds to be paid from fees. Debt service over the next five years averages $18.2 million for interest. Principal payments will start in Fiscal Year 2024-2025.

  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Center, the Colorado History Center, a prison, a hospital building, a number of school buildings in local school districts, and the office consolidation at the Department of Agriculture. The average debt service over the next five years is $99.9 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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,703,416	$ 2,525,453	$ 5,228,869	$ 278,268
Investments	-	392,188	392,188	7,795
Taxes Receivable, net	1,251,185	123,638	1,374,823	-
Contributions Receivable, net	-	-	-	56,681
Other Receivables, net	572,655	640,664	1,213,319	81,857
Due From Other Governments	440,053	94,860	534,913	3,411
Internal Balances	28,967	(28,967)	-	-
Due From Component Units	347	18,188	18,535	-
Inventories	53,261	54,748	108,009	-
Prepaids, Advances and Deposits	67,468	28,756	96,224	5,534
Total Current Assets	5,117,352	3,849,528	8,966,880	433,546
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,923,920	457,926	2,381,846	123,726
Restricted Investments	732,662	167,540	900,202	158,737
Restricted Receivables	510,028	40,009	550,037	2,532
Investments	219,369	1,941,040	2,160,409	2,366,357
Contributions Receivable, net	-	-	-	139,051
Other Long-Term Assets	675,809	129,425	805,234	900,600
Depreciable Capital Assets and Infrastructure, net	9,976,023	7,050,226	17,026,249	206,324
Land and Nondepreciable Capital Assets	1,851,910	1,652,441	3,504,351	58,360
Depreciable Capital Assets for Investment	33,055	-	33,055	-
Total Noncurrent Assets	15,922,776	11,438,607	27,361,383	3,955,687
TOTAL ASSETS	21,040,128	15,288,135	36,328,263	4,389,233
DEFERRED OUTFLOW OF RESOURCES:	818,761	649,853	1,468,614	3,715
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	856,076	-	856,076	-
Accounts Payable and Accrued Liabilities	1,166,681	771,248	1,937,929	30,056
TABOR Refund Liability (Note 8B)	31,358	-	31,358	-
Due To Other Governments	232,724	38,615	271,339	200
Due To Component Units	-	645	645	-
Unearned Revenue	123,769	306,222	429,991	-
Accrued Compensated Absences	11,522	22,761	34,283	-
Claims and Judgments Payable	46,343	-	46,343	-
Leases Payable	28,261	9,132	37,393	-
Notes, Bonds, and COPs Payable	171,835	267,134	438,969	53,150
Other Current Liabilities	29,525	139,765	169,290	169,339
Total Current Liabilities	2,698,094	1,555,522	4,253,616	252,745
Noncurrent Liabilities:				
Deposits Held In Custody For Others	90	20	110	376,818
Accrued Compensated Absences	154,510	293,365	447,875	-
Claims and Judgments Payable	276,010	39,657	315,667	-
Capital Lease Payable	122,404	47,994	170,398	-
Derivative Instrument Liability	-	13,222	13,222	-
Notes, Bonds, and COPs Payable	1,174,467	4,480,091	5,654,558	664,796
Due to Component Units	-	1,631	1,631	-
Net Pension Liability	6,295,004	3,957,073	10,252,077	3,333
Other Postemployment Benefits	-	289,133	289,133	-
Other Long-Term Liabilities	415,669	28,569	444,238	76,143
Total Noncurrent Liabilities	8,438,154	9,150,755	17,588,909	1,121,090
TOTAL LIABILITIES	11,136,248	10,706,277	21,842,525	1,373,835
DEFERRED INFLOW OF RESOURCES:	133,375	250,058	383,433	405
NET POSITION:				
Net investment in Capital Assets:	11,330,474	5,051,345	16,381,819	216,840
Restricted for:				
Construction and Highway Maintenance	966,743	-	966,743	-
Education	309,957	462,636	772,593	-
Unemployment Insurance	-	740,049	740,049	-
Debt Service	68,105	85,617	153,722	-
Emergencies	217,328	34,000	251,328	-
Permanent Funds and Endowments:				
Expendable	5,801	157,611	163,412	1,107,777
Nonexpendable	950,976	83,274	1,034,250	911,004
Other Purposes	717,185	101,209	818,394	633,718
Unrestricted	(3,977,303)	(1,734,088)	(5,711,391)	149,369
TOTAL NET POSITION	$ 10,589,266	$ 4,981,653	$ 15,570,919	$ 3,018,708

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

(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	$ 507,827	$ (22,216)	$ 151,844	$ 198,343	$ 3,050
Business, Community, and Consumer Affairs	775,342	2,116	145,016	308,908	-
Education	5,858,569	1,395	22,594	644,027	-
Health and Rehabilitation	2,896,123	2,718	102,441	1,764,254	-
Justice	2,203,272	5,886	240,524	114,740	56
Natural Resources	134,323	1,168	146,495	79,107	-
Social Assistance	8,823,596	2,003	912,678	5,330,406	-
Transportation	1,828,499	1,869	451,784	138,361	816,215
Interest on Debt	62,021	-	-	-	-
Total Governmental Activities	23,089,572	(5,061)	2,173,376	8,578,146	819,321
Business-Type Activities:					
Higher Education	6,444,072	2,830	4,305,427	1,835,957	43,183
Unemployment Insurance	531,607	-	607,520	41,644	-
Lottery	517,200	647	596,052	813	-
Parks and Wildlife	202,866	928	154,071	35,069	(187)
College Assist	320,660	114	8	346,633	-
Other Business-Type Activities	281,929	542	274,376	189,047	-
Total Business-Type Activities	8,298,334	5,061	5,937,454	2,449,163	42,996
Total Primary Government	31,387,906	-	8,110,830	11,027,309	862,317
Component Units:					
Colorado Water Resources and Power Development Authority	47,017		33,610	50,899	
University of Colorado Foundation	131,258			143,111	
Colorado State University Foundation	52,693			101,629	
Colorado School of Mines Foundation	28,420		1,900	4,905	
University of Northern Colorado Foundation	11,656			5,773	
Other Component Units	27,139		21,499	161	2,088
Total Component Units	$ 298,183	$ -	$ 57,009	$ 306,478	$ 2,088

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

Special Items (See Note 41)
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

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
$ (132,374)	$ -	$ (132,374)	
(323,534)	-	(323,534)	
(5,193,343)	-	(5,193,343)	
(1,032,146)	-	(1,032,146)	
(1,853,838)	-	(1,853,838)	
90,111	-	90,111	
(2,582,515)	-	(2,582,515)	
(424,008)	-	(424,008)	
(62,021)	-	(62,021)	
(11,513,668)	-	(11,513,668)	
-	(262,335)	(262,335)	
-	117,557	117,557	
-	79,018	79,018	
-	(14,841)	(14,841)	
-	25,867	25,867	
-	180,952	180,952	
-	126,218	126,218	
(11,513,668)	126,218	(11,387,450)	
-	-	-	37,492
-	-	-	11,853
-	-	-	48,936
-	-	-	(21,615)
-	-	-	(5,883)
-	-	-	(3,391)
-	-	-	67,392
2,940,839	-	2,940,839	-
290,276	-	290,276	-
6,061,679	-	6,061,679	-
643,761	-	643,761	-
410,277	-	410,277	-
474,623	-	474,623	-
47,977	-	47,977	-
609,678	-	609,678	-
409	-	409	-
15,705	-	15,705	17,082
107,005	-	107,005	8,263
-	-	-	(1,721)
(352,733)	352,733	-	-
(1,583)	10,183	8,600	-
80	-	80	-
11,247,993	362,916	11,610,909	23,624
(265,675)	489,134	223,459	91,016
10,796,794	4,497,828	15,294,622	2,930,718
58,147	(5,309)	52,838	-
-	-	-	(3,026)
$ 10,589,266	$ 4,981,653	$ 15,570,919	$ 3,018,708

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 272,814	$ 756,012	$ 56,696
Taxes Receivable, net	1,435,618	-	-
Other Receivables, net	427,768	23,582	3,271
Due From Other Governments	397,482	2,551	-
Due From Other Funds	88,688	18,899	5,033
Due From Component Units	347	-	-
Inventories	7,522	35,868	8,860
Prepaids, Advances and Deposits	38,089	18,546	1,252
Restricted Assets:			
Restricted Cash and Pooled Cash	427,861	109,772	752,176
Restricted Investments	-	-	-
Restricted Receivables	56,851	-	453,177
Investments	22,176	-	-
Other Long-Term Assets	-	417,554	12,150
Depreciable Capital Assets and Infrastructure, net	-	-	30
Land and Nondepreciable Capital Assets	-	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,175,216	$ 1,382,784	$ 1,292,645
LIABILITIES:			
Tax Refunds Payable	$ 849,726	-	$ 4,860
Accounts Payable and Accrued Liabilities	761,054	16,404	203,740
TABOR Refund Liability (Note 8B)	31,358	-	-
Due To Other Governments	128,481	42,306	34,195
Due To Other Funds	64,177	3,911	634
Unearned Revenue	26,347	9,222	16,834
Compensated Absences Payable	27	1	-
Claims and Judgments Payable	248	-	-
Other Current Liabilities	17,904	-	28
Deposits Held In Custody For Others	2	-	-
TOTAL LIABILITIES	1,879,324	71,844	260,291
DEFERRED INFLOW OF RESOURCES:	219,310	-	933
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	-	30
Inventories	7,522	35,868	8,860
Permanent Fund Principal	-	-	-
Prepaids	37,977	18,546	1,252
Restricted	497,814	66,000	975,001
Committed	513,986	1,190,526	46,278
Assigned	19,283	-	-
TOTAL FUND BALANCES	1,076,582	1,310,940	1,031,421
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,175,216	$ 1,382,784	$ 1,292,645

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 389,655	$ -	$ 1,182,074	$ 2,657,251
-	-	36,428	1,472,046
164	-	114,358	569,143
1,741	-	38,015	439,789
786	-	11,743	125,149
-	-	-	347
-	-	299	52,549
34	113	5,354	63,388
-	311,476	322,635	1,923,920
-	-	732,662	732,662
-	-	-	510,028
4,290	-	192,903	219,369
49	-	24,294	454,047
-	-	-	30
-	-	69,160	69,160
-	-	33,055	33,055
$ 396,719	$ 311,589	$ 2,762,980	$ 9,321,933
$ -	$ -	$ 1,490	$ 856,076
9,324	7,149	130,779	1,128,450
-	-	-	31,358
-	-	27,742	232,724
1,195	-	35,721	105,638
6	-	59,420	111,829
-	-	6	34
-	-	140	388
-	-	6,879	24,811
-	-	88	90
10,525	7,149	262,265	2,491,398
-	-	867	221,110
-	-	19,141	19,171
-	-	298	52,548
-	-	1,043,619	1,043,619
32	114	5,354	63,275
5	304,326	237,287	2,080,433
386,157	-	1,194,149	3,331,096
-	-	-	19,283
386,194	304,440	2,499,848	6,609,425
$ 396,719	$ 311,589	$ 2,762,980	$ 9,321,933

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2016

		(A)	(B)	(C)	(D)	(E)	(F)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,657,251	$ 46,165	$ -	$ -	$ -	$ -	$ -	$ 2,703,416
Taxes Receivable, net	1,472,046	-	-	-	-	(220,861)	-	1,251,185
Other Receivables, net	569,143	3,512	-	-	-	-	-	572,655
Due From Other Governments	439,789	264	-	-	-	-	-	440,053
Due From Other Funds	125,149	14,499	-	-	-	-	(110,681)	28,967
Due From Component Units	347	-	-	-	-	-	-	347
Inventories	52,549	712	-	-	-	-	-	53,261
Prepaids, Advances and Deposits	63,388	4,080	-	-	-	-	-	67,468
Total Current Assets	5,379,662	69,232	-	-	-	(220,861)	(110,681)	5,117,352
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,923,920	-	-	-	-	-	-	1,923,920
Restricted Investments	732,662	-	-	-	-	-	-	732,662
Restricted Receivables	510,028	-	-	-	-	-	-	510,028
Investments	219,369	-	-	-	-	-	-	219,369
Other Long-Term Assets	454,047	-	-	-	-	221,762	-	675,809
Depreciable Capital Assets and Infrastructure, net	30	131,145	9,844,848	-	-	-	-	9,976,023
Land and Nondepreciable Capital Assets	69,160	1,287	1,781,463	-	-	-	-	1,851,910
Depreciable Capital Assets for Investment	33,055	-	-	-	-	-	-	33,055
Total Noncurrent Assets	3,942,271	132,432	11,626,311	-	-	221,762	-	15,922,776
TOTAL ASSETS	9,321,933	201,664	11,626,311	-	-	901	(110,681)	21,040,128
DEFERRED OUTFLOW OF RESOURCES:	-	55,602	-	763,159	-	-	-	818,761
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	856,076	-	-	-	-	-	-	856,076
Accounts Payable and Accrued Liabilities	1,128,450	31,085	-	7,146	-	-	-	1,166,681
TABOR Refund Liability (Note 8B)	31,358	-	-	-	-	-	-	31,358
Due To Other Governments	232,724	-	-	-	-	-	-	232,724
Due To Other Funds	105,638	5,043	-	-	-	-	(110,681)	-
Unearned Revenue	111,829	12,113	-	-	-	(173)	-	123,769
Compensated Absences Payable	34	427	-	-	-	11,061	-	11,522
Claims and Judgments Payable	388	-	-	-	37,453	8,502	-	46,343
Leases Payable	-	20,214	-	8,047	-	-	-	28,261
Notes, Bonds, and COPs Payable	-	-	-	171,835	-	-	-	171,835
Other Current Liabilities	24,811	270	-	-	-	4,444	-	29,525
Total Current Liabilities	2,491,308	69,152	-	187,028	37,453	23,834	(110,681)	2,698,094
Noncurrent Liabilities:								
Deposits Held In Custody For Others	90	-	-	-	-	-	-	90
Accrued Compensated Absences	-	9,792	-	-	-	144,718	-	154,510
Claims and Judgments Payable	-	-	-	-	121,146	154,864	-	276,010
Capital Lease Payable	-	85,338	-	37,066	-	-	-	122,404
Notes, Bonds, and COPs Payable	-	-	-	1,174,467	-	-	-	1,174,467
Net Pension Liability	-	364,655	-	-	-	5,930,349	-	6,295,004
Other Long-Term Liabilities	-	-	-	-	-	415,669	-	415,669
Total Noncurrent Liabilities	90	459,785	-	1,211,533	121,146	6,645,600	-	8,438,154
TOTAL LIABILITIES	2,491,398	528,937	-	1,398,561	158,599	6,669,434	(110,681)	11,136,248
DEFERRED INFLOW OF RESOURCES:	221,110	6,414	-	-	-	(94,149)	-	133,375
NET POSITION:								
Net investment in Capital Assets:	102,236	26,880	11,626,311	(424,953)	-	-	-	11,330,474
Restricted for:								
Construction and Highway Maintenance	966,411	-	-	332	-	-	-	966,743
Education	309,957	-	-	-	-	-	-	309,957
Debt Service	68,105	-	-	-	-	-	-	68,105
Emergencies	217,328	-	-	-	-	-	-	217,328
Permanent Funds and Endowments:								
Expendable	5,801	-	-	-	-	-	-	5,801
Nonexpendable	950,976	-	-	-	-	-	-	950,976
Other Purposes	717,185	-	-	-	-	-	-	717,185
Unrestricted	3,271,426	(304,965)	-	(210,781)	(158,599)	(6,574,384)	-	(3,977,303)
TOTAL NET POSITION	$ 6,609,425	$ (278,085)	$ 11,626,311	$ (635,402)	$ (158,599)	$ (6,574,384)	$ -	$ 10,589,266

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, 2016

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,993,003	$ -	$ -
Corporate Income	606,441	-	-
Sales and Use	2,893,838	-	-
Excise	101,874	-	609,680
Other Taxes	280,974	67,072	409
Licenses, Permits, and Fines	20,601	3,533	376,963
Charges for Goods and Services	73,268	6,632	134,185
Rents	223	3	3,318
Investment Income (Loss)	26,524	23,570	11,052
Federal Grants and Contracts	7,892,141	101,526	842,408
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	175,925	4,932	102,032
TOTAL REVENUES	18,064,812	207,268	2,080,047
EXPENDITURES:			
Current:			
General Government	222,176	-	57,685
Business, Community, and Consumer Affairs	163,743	14,402	-
Education	780,238	-	-
Health and Rehabilitation	1,649,933	453	11,277
Justice	1,404,791	-	123,635
Natural Resources	38,329	51,538	-
Social Assistance	7,752,117	-	-
Transportation	-	-	1,328,083
Capital Outlay	79,511	2,923	42,837
Intergovernmental:			
Cities	66,715	57,168	236,675
Counties	1,297,886	43,656	212,937
School Districts	4,107,412	2,495	-
Special Districts	65,186	20,430	46,917
Federal	2,298	1,697	-
Other	25,656	2,209	582
Debt Service	58,754	7	-
TOTAL EXPENDITURES	17,714,745	196,978	2,060,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	350,067	10,290	19,419
OTHER FINANCING SOURCES (USES):			
Transfers-In	3,913,450	4,488	204,713
Transfers-Out	(4,434,190)	(71,044)	(181,703)
Face Amount of Bond/COP Issuance	-	-	-
Bond/COP Premium/Discount	-	-	-
Sale of Capital Assets	10,264	-	-
Insurance Recoveries	3,455	-	432
Bond/COP Premium Refunding Proceeds	1	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(507,020)	(66,556)	23,442
NET CHANGE IN FUND BALANCES	(156,953)	(56,266)	42,861
FUND BALANCE, FISCAL YEAR BEGINNING	1,175,388	1,367,206	988,560
Prior Period Adjustment (See Note 29A)	58,147	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,076,582	$ 1,310,940	$ 1,031,421

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 476,703	$ -	$ 6,469,706
-	45,897	-	652,338
-	-	45,223	2,939,061
-	-	188,980	900,534
1,543	-	158,600	508,598
3	-	408,709	809,809
-	-	930,320	1,144,405
-	-	139,206	142,750
4,023	5,791	67,885	138,845
7,878	-	203,545	9,047,498
-	-	80	80
-	-	65,110	65,110
175	238	37,632	320,934
13,622	528,629	2,245,290	23,139,668
21,009	-	23,133	324,003
1,583	-	294,148	473,876
2,362	44,742	25,101	852,443
193	-	121,771	1,783,627
5,082	-	207,441	1,740,949
-	-	17,131	106,998
7	-	972,766	8,724,890
-	-	3,035	1,331,118
57,265	34	8,571	191,141
-	-	64,676	425,234
-	-	101,670	1,656,149
-	841,125	43,843	4,994,875
-	-	12,418	144,951
-	-	380	4,375
-	204	49,796	78,447
4,396	-	216,962	280,119
91,897	886,105	2,162,842	23,113,195
(78,275)	(357,476)	82,448	26,473
301,537	25,615	465,120	4,914,923
(185,809)	(49,957)	(336,891)	(5,259,594)
11,000	-	-	11,000
314	-	-	314
-	-	(3,527)	6,737
747	-	-	4,634
-	-	-	1
127,789	(24,342)	124,702	(321,985)
49,514	(381,818)	207,150	(295,512)
336,680	686,258	2,292,698	6,846,790
-	-	-	58,147
$ 386,194	$ 304,440	$ 2,499,848	$ 6,609,425

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES RECONCILED TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

(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	$ 6,469,706	$ -	$ -	$ -	$ 11,876	$ 6,481,582
Corporate Income	652,338	-	-	-	37,319	689,657
Sales and Use	2,939,061	-	-	-	1,779	2,940,840
Excise	900,534	-	-	-	(578)	899,956
Other Taxes	508,598	-	-	-	(10,342)	498,256
Licenses, Permits, and Fines	809,809	-	-	-	299	810,108
Charges for Goods and Services	1,144,405	-	-	-	9	1,144,414
Rents	142,750	-	-	-	-	142,750
Investment Income (Loss)	138,845	220	-	-	(105)	138,960
Federal Grants and Contracts	9,047,498	-	-	-	-	9,047,498
Additions to Permanent Funds	80	-	-	-	-	80
Unclaimed Property Receipts	65,110	-	-	-	-	65,110
Other	320,934	-	-	-	(4,764)	316,170
TOTAL REVENUES	23,139,668	220	-	-	35,493	23,175,381
EXPENDITURES:						
Current:						
General Government	324,003	2,080	42,352	-	1,701	370,136
Business, Community, and Consumer Affairs	473,876	6,322	16,737	-	(26,096)	470,839
Education	852,443	142	42,959	-	(106)	895,438
Health and Rehabilitation	1,783,627	1,333	56,027	-	2,606	1,843,593
Justice	1,740,949	1,666	224,730	-	3,039	1,970,384
Natural Resources	106,998	1,531	8,141	-	693	117,363
Social Assistance	8,724,890	9,078	15,133	-	(2,864)	8,746,237
Transportation	1,331,118	1,184	419,784	-	(138)	1,751,948
Capital Outlay	191,141	-	(627,770)	-	-	(436,629)
Intergovernmental:						
Cities	425,234	-	-	-	-	425,234
Counties	1,656,149	-	60	-	-	1,656,209
School Districts	4,994,875	-	-	-	-	4,994,875
Special Districts	144,951	-	-	-	-	144,951
Federal	4,375	-	-	-	-	4,375
Other	78,447	-	-	-	-	78,447
Debt Service	280,119	2,612	-	(211,516)	-	71,215
TOTAL EXPENDITURES	23,113,195	25,948	198,153	(211,516)	(21,165)	23,104,615
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,473	(25,728)	(198,153)	211,516	56,658	70,766
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,914,923	4,502	-	-	-	4,919,425
Transfers-Out	(5,259,594)	(7,007)	-	-	-	(5,266,601)
Face Amount of Bond/COP Issuance	11,000	-	-	(11,000)	-	-
Bond/COP Premium/Discount	314	-	-	1,069	-	1,383
Sale of Capital Assets	6,737	-	(2,279)	-	-	4,458
Insurance Recoveries	4,634	-	-	-	-	4,634
Bond/COP Premium Refunding Proceeds	1	-	-	-	-	1
TOTAL OTHER FINANCING SOURCES (USES)	(321,985)	(2,505)	(2,279)	(9,931)	-	(336,700)
Internal Service Fund Charges to BTAs	-	259	-	-	-	259
NET CHANGE FOR THE YEAR	(295,512)	(27,974)	(200,432)	201,585	56,658	(265,675)
Prior Period Adjustment (See Note 29A)	58,147	-	-	-	-	58,147
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ (237,365)	$ (27,974)	$ (200,432)	$ 201,585	$ 56,658	$ (207,528)

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, 2016

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,236,180	$ 757,411
Investments	391,521	-
Premiums Receivable, net	-	123,638
Student and Other Receivables, net	575,921	4,100
Due From Other Governments	64,304	5,133
Due From Other Funds	15,807	-
Due From Component Units	18,188	-
Inventories	38,274	-
Prepaids, Advances and Deposits	17,925	-
Total Current Assets	2,358,120	890,282
Noncurrent Assets:		
Restricted Cash and Pooled Cash	385,552	-
Restricted Investments	167,540	-
Restricted Receivables	-	-
Investments	1,908,039	-
Other Long-Term Assets	127,593	-
Depreciable Capital Assets and Infrastructure, net	6,051,702	9,897
Land and Nondepreciable Capital Assets	1,064,819	-
Total Noncurrent Assets	9,705,245	9,897
TOTAL ASSETS	12,063,365	900,179
DEFERRED OUTFLOW OF RESOURCES:	586,713	5,246
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	700,365	3,905
Due To Other Governments	-	1
Due To Other Funds	2,798	614
Due To Component Units	645	-
Unearned Revenue	255,408	908
Compensated Absences Payable	21,604	-
Leases Payable	8,681	-
Notes, Bonds, and COPs Payable	141,174	124,965
Other Current Liabilities	87,260	13,228
Total Current Liabilities	1,217,935	143,621
Noncurrent Liabilities:		
Due to Other Funds	-	-
Deposits Held In Custody For Others	-	-
Accrued Compensated Absences	281,135	-
Claims and Judgments Payable	39,657	-
Capital Lease Payable	44,182	-
Derivative Instrument Liability	13,222	-
Notes, Bonds, and COPs Payable	4,127,739	399
Due to Component Units	1,631	-
Net Pension Liability	3,496,484	11,026
Other Postemployment Benefits	289,133	-
Other Long-Term Liabilities	28,534	-
Total Noncurrent Liabilities	8,321,717	11,425
TOTAL LIABILITIES	9,539,652	155,046
DEFERRED INFLOW OF RESOURCES:	88,480	433
NET POSITION:		
Net investment in Capital Assets:	3,773,792	9,897
Restricted for:		
Education	462,636	-
Unemployment Insurance	-	740,049
Debt Service	67,358	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	157,611	-
Nonexpendable	83,274	-
Other Purposes	-	-
Unrestricted	(1,522,725)	-
TOTAL NET POSITION	$ 3,021,946	$ 749,946

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 50,088	$ 481,774	$ 2,525,453	$ 46,165
-	667	392,188	-
-	-	123,638	-
21,081	39,562	640,664	3,512
-	25,423	94,860	264
-	4,487	20,294	14,499
-	-	18,188	-
1,472	15,002	54,748	712
4,613	6,218	28,756	4,080
77,254	573,133	3,898,789	69,232
-	72,374	457,926	-
-	-	167,540	-
-	40,009	40,009	-
-	33,001	1,941,040	-
-	1,832	129,425	-
438	988,189	7,050,226	131,145
-	587,622	1,652,441	1,287
438	1,723,027	11,438,607	132,432
77,692	2,296,160	15,337,396	201,664
2,866	55,028	649,853	55,602
3,537	54,546	762,353	31,085
18	38,596	38,615	-
31,915	1,807	37,134	5,043
-	-	645	-
-	49,906	306,222	12,113
-	1,157	22,761	427
-	451	9,132	20,214
-	995	267,134	-
38,540	737	139,765	270
74,010	148,195	1,583,761	69,152
-	21,022	21,022	-
-	20	20	-
748	11,482	293,365	9,792
-	-	39,657	-
-	3,812	47,994	85,338
-	-	13,222	-
-	351,953	4,480,091	-
-	-	1,631	-
25,257	424,306	3,957,073	364,655
-	-	289,133	-
35	-	28,569	-
26,040	812,595	9,171,777	459,785
100,050	960,790	10,755,538	528,937
1,066	160,079	250,058	6,414
439	1,267,217	5,051,345	26,880
-	-	462,636	-
-	-	740,049	-
-	18,259	85,617	-
-	34,000	34,000	-
-	-	157,611	-
-	-	83,274	-
-	101,209	101,209	-
(20,997)	(190,366)	(1,734,088)	(304,965)
$ (20,558)	$ 1,230,319	$ 4,981,653	$ (278,085)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 603,707
License and Permits	-	102
Tuition and Fees	2,765,443	-
Scholarship Allowance for Tuition and Fees	(613,735)	-
Sales of Goods and Services	2,026,876	-
Scholarship Allowance for Sales of Goods & Services	(22,981)	-
Investment Income (Loss)	1,532	-
Rental Income	14,688	-
Gifts and Donations	49,788	-
Federal Grants and Contracts	1,014,391	24,148
Intergovernmental Revenue	8,121	-
Other	359,917	-
TOTAL OPERATING REVENUES	5,604,040	627,957
OPERATING EXPENSES:		
Salaries and Fringe Benefits	4,303,860	12,187
Operating and Travel	1,384,884	513,842
Cost of Goods Sold	140,258	-
Depreciation and Amortization	402,691	1,913
Intergovernmental Distributions	34,008	2
Debt Service	-	-
Prizes and Awards	282	-
TOTAL OPERATING EXPENSES	6,265,983	527,944
OPERATING INCOME (LOSS)	(661,943)	100,013
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	12	3,709
Investment Income (Loss)	48,041	17,497
Rental Income	12,235	1
Gifts and Donations	207,762	-
Intergovernmental Distributions	(25,561)	-
Federal Grants and Contracts	265,969	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(5,496)	-
Insurance Recoveries from Prior Year Impairments	261	-
Debt Service	(143,788)	(3,662)
Other Expenses	(3,587)	-
Other Revenues	3,713	-
TOTAL NONOPERATING REVENUES (EXPENSES)	359,561	17,545
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(302,382)	117,558
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	43,738	10,130
Additions to Permanent Endowments	20	-
Transfers-In	418,916	-
Transfers-Out	(7,851)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	454,823	10,130
CHANGE IN NET POSITION	152,441	127,688
NET POSITION - FISCAL YEAR BEGINNING	2,874,814	622,258
Prior Period Adjustments (See Note 29A)	(5,309)	-
NET POSITION - FISCAL YEAR ENDING	$ 3,021,946	$ 749,946

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 603,707	$ -
64	120,137	120,303	-
-	1,686	2,767,129	-
-	-	(613,735)	-
594,414	212,922	2,834,212	348,485
-	-	(22,981)	-
-	10,332	11,864	-
-	2,024	16,712	15,372
-	-	49,788	-
-	409,651	1,448,190	-
-	174,897	183,018	-
1,576	8,849	370,342	204
596,054	940,498	7,768,549	364,061
10,365	231,440	4,557,852	220,609
58,897	442,304	2,399,927	132,032
13,251	41,642	195,151	7,459
443	26,999	432,046	29,167
-	11,403	45,413	1,592
-	12,223	12,223	-
370,514	1,064	371,860	13
453,470	767,075	8,014,472	390,872
142,584	173,423	(245,923)	(26,811)
-	39,401	39,401	-
-	380	4,101	-
813	6,463	72,814	220
-	11,129	23,365	-
-	1,327	209,089	-
(63,715)	-	(89,276)	-
-	-	265,969	-
(4)	(28,009)	(33,509)	1,824
-	(187)	74	-
-	(10,400)	(157,850)	(2,610)
-	(309)	(3,896)	-
-	6	3,719	4
(62,906)	19,801	334,001	(562)
79,678	193,224	88,078	(27,373)
-	880	54,748	1,908
-	-	20	-
-	45,969	464,885	4,502
(80,290)	(30,456)	(118,597)	(7,007)
(80,290)	16,393	401,056	(597)
(612)	209,617	489,134	(27,970)
(19,946)	1,020,702	4,497,828	(250,115)
-	-	(5,309)	-
$ (20,558)	$ 1,230,319	$ 4,981,653	$ (278,085)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,179,595	$ -
Fees for Service	1,774,156	-
Receipts for Interfund Services	-	-
Sales of Products	39,836	-
Gifts, Grants, and Contracts	1,579,948	22,294
Loan and Note Repayments	448,725	-
Unemployment Insurance Premiums	-	625,922
Income from Property	26,923	-
Other Sources	135,107	1,103
Cash Payments to or for:		
Employees	(4,224,683)	(11,918)
Suppliers	(1,266,106)	(1,339)
Payments for Interfund Services	-	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(504,848)
Scholarships	(100,815)	-
Others for Student Loans and Loan Losses	(461,674)	-
Other Governments	(34,008)	-
Other	(94,369)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,635	131,214
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	2,476,082	-
Transfers-Out	(2,221,176)	-
Receipt of Deposits Held in Custody	502,191	-
Release of Deposits Held in Custody	(503,543)	-
Gifts and Grants for Other Than Capital Purposes	207,782	-
Intergovernmental Distributions	(25,561)	-
NonCapital Debt Proceeds	651	-
NonCapital Debt Service Payments	(109,192)	(125,364)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	327,234	(125,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(592,667)	(26)
Capital Contributions	11,184	-
Capital Gifts, Grants, and Contracts	15,388	-
Proceeds from Sale of Capital Assets	5,414	3,526
Capital Debt Proceeds	535,031	124,970
Capital Debt Service Payments	(389,803)	(128,877)
Capital Lease Payments	(11,576)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(427,029)	(407)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 1,649	$ 2,181,244	$ -
-	245,516	2,019,672	9,482
-	12,609	12,609	322,443
594,412	60,234	694,482	1,592
-	423,305	2,025,547	70
-	420	449,145	-
-	-	625,922	-
-	13,106	40,029	15,407
1,640	106,434	244,284	12,235
(10,424)	(218,780)	(4,465,805)	(215,469)
(27,546)	(212,259)	(1,507,250)	(106,120)
(188)	(6,052)	(6,240)	(38,086)
(403,063)	(7,168)	(410,231)	(639)
-	-	(504,848)	-
-	-	(100,815)	-
-	(280,887)	(742,561)	-
-	(11,612)	(45,620)	(1,592)
(438)	(37,275)	(132,082)	(134)
154,393	89,240	377,482	(811)
434	54,725	2,531,241	7,663
(80,724)	(38,384)	(2,340,284)	(8,223)
-	760	502,951	267
-	(727)	(504,270)	(70)
-	1,027	208,809	-
(63,715)	-	(89,276)	-
-	23,660	24,311	-
-	(515)	(235,071)	-
(144,005)	40,546	98,411	(363)
40	(405,371)	(998,024)	(20,962)
-	-	11,184	-
-	-	15,388	-
391	140,512	149,843	52,216
-	451	660,452	176
-	(14,747)	(533,427)	(84)
-	(230)	(11,806)	(29,752)
431	(279,385)	(706,390)	1,594

(Continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	118,779	17,495
Proceeds from Sale/Maturity of Investments	2,386,561	-
Purchases of Investments	(2,310,376)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(72,406)	2
NET CASH FROM INVESTING ACTIVITIES	122,558	17,497
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	25,398	22,940
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,601,643	734,471
Prior Period Adjustment (See Note 29)	(5,309)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,621,732	$ 757,411
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (661,943)	$ 100,013
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	402,691	1,913
Investment/Rental Income and Other Revenue in Operating Income	-	-
Net Periodic Pension Cost	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	283,296	3,710
(Gain)/Loss on Disposal of Capital and Other Assets	371	-
Compensated Absences	26,461	-
Insurance Premiums and State Subsidy	-	-
Claims and General Insurance Expenses Paid	-	-
Interest and Other Expense in Operating Income	10,618	10
Provision for Bad Debts	-	-
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(178,737)	18,793
(Increase) Decrease in Inventories	1,640	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	800	-
Increase (Decrease) in Accounts Payable	55,264	2,014
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	62,174	4,761
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,635	$ 131,214
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	815	10,130
Capital Assets Acquired by Grants or Donations and Payable Increases	90,470	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	22,213	-
Loss on Disposal of Capital and Other Assets	4,112	-
Disposal of Capital Assets	12,746	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	39,975	239
Assumption of Capital Lease Obligation or Mortgage	12,789	-
Financed Debt Issuance Costs	1,015	-
Fair Value Change in Derivative Instrument	3,708	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
605	14,665	151,544	113
-	142,282	2,528,843	-
-	(35,211)	(2,345,587)	-
208	2,155	(70,041)	107
813	123,891	264,759	220
11,632	(25,708)	34,262	640
38,456	579,856	2,954,426	45,525
-	-	(5,309)	-
$ 50,088	$ 554,148	$ 2,983,379	$ 46,165
$ 142,584	173,423	$ (245,923)	$ (26,811)
443	26,999	432,046	29,167
-	(10,397)	(10,397)	-
-	-	-	-
-	51,088	338,094	4
-	31	402	52
(9)	554	27,006	143
-	-	-	-
-	-	-	-
-	3,890	14,518	3,063
-	-	-	-
(671)	(17,187)	(177,802)	(10,294)
(347)	1,909	3,202	152
44	(909)	(65)	(3,636)
(174)	(42,866)	14,238	(4,187)
12,523	(97,295)	(17,837)	11,536
$ 154,393	$ 89,240	$ 377,482	$ (811)
-	880	11,825	1,870
-	-	90,470	-
-	-	22,213	-
4	28,102	32,218	9
-	-	12,746	-
-	2,461	42,675	172
-	-	12,789	20,230
-	-	1,015	-
-	-	3,708	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 84,486	$ 199,443	$ 495,848
Investments	-	633	-
Taxes Receivable, net	-	-	167,950
Other Receivables, net	2,174	18,369	333
Intrafund Receivables	8	-	-
Due From Other Funds	1,008	-	7,887
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	-	14,221	-
Repurchase Agreements	-	686	-
Mutual Funds	-	5,751,132	-
Other Investments	-	762,241	-
Other Long-Term Assets	-	-	12,130
TOTAL ASSETS	87,676	6,746,725	$ 684,153
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	8,649
Accounts Payable and Accrued Liabilities	17,166	15,357	1,001
Due To Other Governments	-	-	293,873
Unearned Revenue	-	7,816	-
Claims and Judgments Payable	15,766	-	107
Other Current Liabilities	516	-	322,690
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	3,713	57,120
Accrued Compensated Absences	38	-	-
Other Long-Term Liabilities	-	-	713
TOTAL LIABILITIES	33,486	26,886	$ 684,153
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	54,190	-	
Individuals, Organizations, and Other Entities	-	6,719,839	
TOTAL NET POSITION	$ 54,190	$ 6,719,839	

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, 2016

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,129,100
Member Contributions	89,076	-
Employer Contributions	289,096	-
Investment Income/(Loss)	346	29,606
Unclaimed Property Receipts	-	32,598
Other Additions	3,623	3,234
Transfers-In	8,173	-
TOTAL ADDITIONS	390,314	1,194,538
DEDUCTIONS:		
Distributions to Participants	-	285,095
Health Insurance Premiums Paid	156,849	-
Health Insurance Claims Paid	170,156	-
Other Benefits Plan Expense	26,175	-
Payments in Accordance with Trust Agreements	-	660,225
Other Deductions	21,964	-
Transfers-Out	7,199	86
TOTAL DEDUCTIONS	382,343	945,406
CHANGE IN NET POSITION	7,971	249,132
NET POSITION - FISCAL YEAR BEGINNING	46,219	6,482,550
Prior Period Adjustments (Note 29)	-	(11,843)
NET POSITION - FISCAL YEAR ENDING	$ 54,190	$ 6,719,839

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 211,598	$ 34,693
Investments	-	-
Contributions Receivable, net	-	33,943
Other Receivables, net	79,422	24
Due From Other Governments	3,081	-
Prepaids, Advances and Deposits	-	554
Total Current Assets	294,101	69,214
Noncurrent Assets:		
Restricted Cash and Pooled Cash	109,778	-
Restricted Investments	158,737	-
Restricted Receivables	2,532	-
Investments	-	1,496,421
Contributions Receivable, net	-	77,591
Other Long-Term Assets	898,355	-
Depreciable Capital Assets and Infrastructure, net	21	434
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,169,423	1,574,446
TOTAL ASSETS	1,463,524	1,643,660
DEFERRED OUTFLOW OF RESOURCES:	3,715	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,192	9,290
Due To Other Governments	200	-
Notes, Bonds, and COPs Payable	46,395	-
Other Current Liabilities	152,142	15,845
Total Current Liabilities	211,929	25,135
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	331,283
Notes, Bonds, and COPs Payable	548,350	-
Net Pension Liability	3,333	-
Other Long-Term Liabilities	30,946	15,314
Total Noncurrent Liabilities	582,629	346,597
TOTAL LIABILITIES	794,558	371,732
DEFERRED INFLOW OF RESOURCES:	405	-
NET POSITION:		
Net investment in Capital Assets:	21	434
Restricted for:		
Expendable	-	721,412
Nonexpendable	-	495,077
Other Purposes	628,589	-
Unrestricted	43,666	55,005
TOTAL NET POSITION	$ 672,276	$ 1,271,928

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 1,023	$ 11,503	$ 2,128	$ 17,323	$ 278,268
-	-	-	7,795	7,795
13,211	6,871	2,656	-	56,681
-	1,631	135	645	81,857
-	-	-	330	3,411
365	-	-	4,615	5,534
14,599	20,005	4,919	30,708	433,546
-	59	-	13,889	123,726
-	-	-	-	158,737
-	-	-	-	2,532
425,163	282,718	104,368	57,687	2,366,357
31,416	25,591	4,453	-	139,051
644	284	92	1,225	900,600
21	-	965	200,451	201,892
-	-	-	62,792	62,792
457,244	308,652	109,878	336,044	3,955,687
471,843	328,657	114,797	366,752	4,389,233
-	-	-	-	3,715
1,436	3,287	670	2,181	30,056
-	-	-	-	200
-	-	-	6,755	53,150
-	-	-	1,352	169,339
1,436	3,287	670	10,288	252,745
13,009	31,923	603	-	376,818
-	-	-	116,446	664,796
-	-	-	-	3,333
807	9,803	131	19,142	76,143
13,816	41,726	734	135,588	1,121,090
15,252	45,013	1,404	145,876	1,373,835
-	-	-	-	405
21	-	965	215,399	216,840
254,394	107,987	23,984	-	1,107,777
181,194	155,903	78,830	-	911,004
-	-	-	5,129	633,718
20,982	19,754	9,614	348	149,369
$ 456,591	$ 283,644	$ 113,393	$ 220,876	$ 3,018,708

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 33,586	$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	7,261	-
Rental Income	-	-
Gifts and Donations	-	177,591
Federal Grants and Contracts	6,688	-
Other	24	1,969
TOTAL OPERATING REVENUES	47,559	179,560
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,478	-
Operating and Travel	14,639	24,940
Depreciation and Amortization	12	91
Debt Service	30,888	-
Foundation Program Distributions	-	106,214
TOTAL OPERATING EXPENSES	47,017	131,245
OPERATING INCOME (LOSS)	542	48,315
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	(21,084)
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Debt Service	-	-
Other Expenses	-	(13)
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(21,097)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	542	27,218
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	44,211	-
Special Items (See Note 41)	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	44,211	-
CHANGE IN NET POSITION	44,753	27,218
NET POSITION - FISCAL YEAR BEGINNING	630,549	1,244,710
Accounting Changes (See Note 29B)	(3,026)	-
NET POSITION - FISCAL YEAR ENDING	$ 672,276	$ 1,271,928

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,900	$ -	$ -	$ 35,486
-	-	-	9,853	9,853
-	-	-	(1,648)	5,613
-	-	-	1,465	1,465
97,395	14,592	7,049	44	296,671
-	-	-	-	6,688
12,521	716	437	18,474	34,141
109,916	17,208	7,486	28,188	389,917
-	-	-	-	1,478
5,089	6,774	974	11,896	64,312
9	3	50	8,163	8,328
-	-	-	-	30,888
47,595	21,643	10,632	-	186,084
52,693	28,420	11,656	20,059	291,090
57,223	(11,212)	(4,170)	8,129	98,827
(9,409)	(12,914)	(2,351)	408	(45,350)
-	-	-	53	53
-	-	-	991	991
-	-	-	(7,073)	(7,073)
-	-	-	(6)	(19)
-	-	-	1,097	1,097
(9,409)	(12,914)	(2,351)	(4,530)	(50,301)
47,814	(24,126)	(6,521)	3,599	48,526
-	-	-	-	44,211
-	-	-	(1,721)	(1,721)
-	-	-	(1,721)	42,490
47,814	(24,126)	(6,521)	1,878	91,016
408,777	307,770	119,914	218,998	2,930,718
-	-	-	-	(3,026)
$ 456,591	$ 283,644	$ 113,393	$ 220,876	$ 3,018,708

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 35,486			
Sales of Goods and Services	9,853			
Investment Income (Loss)	5,613	(5,581)		
Rental Income	1,465			
Gifts and Donations	296,671	(304,997)		
Federal Grants and Contracts	6,688	(6,688)		
Other	34,141	(15,642)		
TOTAL OPERATING REVENUES	389,917	(332,908)	57,009	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,478			
Operating and Travel	64,312			
Depreciation and Amortization	8,328			
Debt Service	30,888	7,074		
Foundation Program Distributions	186,084			
Other Expenses	-	19		
TOTAL OPERATING EXPENSES	291,090	7,093	298,183	EXPENSES
OPERATING INCOME (LOSS)	98,827			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	(45,350)	45,350		
Gifts and Donations	53	(53)		
Federal Grants and Contracts	991	(991)		
Debt Service	(7,073)	7,073		
Other Expenses	(19)	19		
Other Revenues	1,097	(1,097)		
TOTAL NONOPERATING REVENUES (EXPENSES)	(50,301)	50,301		
		306,478	306,478	OPERATING GRANTS & CONTRIBUTIONS
		2,088	2,088	CAPITAL GRANTS & CONTRIBUTIONS
		17,082	17,082	UNRESTRICTED INVESTMENT EARNINGS
		8,263	8,263	OTHER GENERAL REVENEUS
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	48,526			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	44,211	(44,211)		
Special Items (See Note 41)	(1,721)			
TOTAL CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:	42,490	(44,211)	(1,721)	SPECIAL AND/OR EXTRAORDINARY ITEM
CHANGE IN NET POSITION	91,016		91,016	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,930,718		2,930,718	NET POSITION - FISCAL YEAR BEGINNING
Accounting Changes (See Note 29B)	(3,026)		(3,026)	Accounting Changes (See Note 29)
NET POSITION - FISCAL YEAR ENDING	$ 3,018,708		$ 3,018,708	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2015-16, the State implemented GASB Statement No. 72 – Fair Value Measurement and Application, GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, and GASB Statement No. 79 – Certain External Investment Pools and Pool Participants.

Statement No. 72 clarifies the definition of fair value and establishes accounting, valuation, and financial reporting standards for applying fair value to certain investments and disclosures related to all fair value measurements. This statement was implemented for the primary government, and since the Colorado Water Resources and Power Development Authority's year end was December 31, 2015, and GASB 72 is not effective until financial statement periods beginning after June 15, 2015, their statements do not reflect the reporting requirements of GASB 72.

Statement No. 73 establishes accounting and financial reporting standards for pensions outside the scope of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. This statement also amends disclosure requirements in the notes to the required supplementary information of GASB Statement No. 68, implemented for the primary government during Fiscal Year 2014-15. Statement No. 73 was implemented for the primary government, and since the Colorado Water Resources and Power Development Authority's year end was December 31, 2015, and GASB 73 is not effective until fiscal years beginning after June 15, 2015, their statements do not reflect the reporting requirements of GASB 73. During 2015, the Colorado Water Resources and Power Development Authority implemented GASB Statement No. 68.

Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 was implemented for the primary government; however, since the Colorado Water Resources and Power Development Authority's year end was December 31, 2015, and GASB 79 is not effective until fiscal years beginning after June 15, 2015, their statements do not reflect the reporting requirements of GASB 79.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

The following entities qualify as discretely presented component units:

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

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

Component Unit (Non Foundation)	**Board Appointment**	**Ability to Impose Will**	**Financial Benefit/Burden Relationship**
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
Colorado Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based on general-purpose revenue tax credits.
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

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

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

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

University of Colorado Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203

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

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

University of Northern Colorado Foundation
1620 Reservoir Road
Greeley, Colorado 80631

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street, Suite 300
Denver, Colorado 80205

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

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

University of Colorado Real Estate Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203-1114

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

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

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

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

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. Those that are identifiable within an Enterprise Fund with bonds or debt instruments outstanding and a revenue stream pledged in support of that debt are required to be accounted for separately as segments (see Note 37).

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

The State uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The State's Internal Service Funds reported in supplementary information include Central Services, 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 Benefit Trust Funds

In the basic financial statements, the State reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Group Benefits Plan, which provides Health, Life, Dental, and Short-Term Disability Benefits to State employees.

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the 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, Veterans' Affairs, and the Department of Health Care Policy and Financing

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2015.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while the Venture Capital Authority, a nonmajor component unit, applies applicable GASB pronouncements. The financial information for the Denver Metropolitan Major League Baseball Stadium District and the Venture Capital Authority is presented as of December 31, 2015.

The five foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the five foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2016.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred.

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORIES

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Position*. Donated capital assets are carried at 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 as well as buildings and software.

(Amounts in Dollars)

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	50
Vehicles and Equipment	1	50
Software	2	20
Library Books	3	20
Other Capital Assets	3	25
Infrastructure	20	75

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

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

F. UNEARNED REVENUE AND DEFERRED INFLOWS

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

On the fund-level governmental financial statements, revenues related to taxes receivable that the State does not expect to collect until after the following fiscal year are not earned and are reported as deferred inflows. However, taxes receivable are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

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

I. NET POSITION AND FUND BALANCES

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

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

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

<u>Net Investment in Capital Assets</u> – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset, Deferred outflows related to refunding losses also adjust this line item.

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

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

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

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

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

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

information on the current year amount of the emergency reserve.)

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the Colorado Water Conservation Board Construction Fund and the Severance Tax Perpetual Base Fund in Resource Extraction, and the Controlled Maintenance Trust Fund within special-purpose General Funds. The gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, and funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet – Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund.

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) to reserve five and six-tenths percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result, only the remaining GAAP fund balance of $386.5 million was committed for this purpose.

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

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

<u>Assigned</u> – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2015-16 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

<u>Unassigned</u> – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2015-16, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/ EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2015-16. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2012-13 that were incorporated in State agency budgets in Fiscal Year 2015-16. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 161. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2016, were $15,347,508 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $3,620,565 of cash funds and $68,674 of reappropriated cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. The overexpenditures occurred as a result of higher than expected utilization of services by Medicaid clients.
- Medicare Modernization Act (MMA) State Contribution Payment – This line item overexpended general funds in the amount of $154,208. The reason for the overexpenditure was due to a higher than anticipated caseload.
- Behavioral Health Fee-for-service – This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. An unexpected increase in utilization is the cause of the general fund overexpenditure of this line in the amount of $251,317.
- Children's Basic Health Plan Medical and Dental Costs. – The Children's Basic Health Plan Medical and Dental Costs appropriation covers expenditures for services rendered for CHP+ clients. The cash overexpenditure in the amount of $1,133,477 occurred as a result of higher than anticipated recoveries of payments made in prior years.

Approved State Department Subject to the $3.0 Million Limit:

- Administrative Courts Operating Expenses - The Department of Personnel and Administration overexpended reappropriated cash funds on this line item by $5,837 for one time construction expenditures for an office in Grand Junction.
- Department of Public Health and Environment Indirect Costs Assessment – An oversight occurred during the figure-setting process on several divisional indirect costs assessment appropriation amounts. The oversight, paired with an increase of the cash indirect rate from 25.7% to 27.5 % for Fiscal Year 2016, caused the assessment of indirect costs within many divisions to exceed the spending authority for indirect costs. The total cash amount overexpended was $922,368.
- CORE Operations – The Department of Education overexpended their reappropriated cash line by $121,724. This amount is equal to the combined federal appropriations in FY 2015 and FY 2016 for CORE operations. The Department does not have a basis for assigning the costs to their federal programs

in proportion to the benefit provided as required by federal regulations.

- Operating Expenses – The Department of Military and Veterans Affairs overexpended a federal fund line in the amount of $62,857. The cooperative agreement contract with National Guard Bureau specifically excludes indirect costs for other than specific payroll costs. The federal government is denying the costs as indirect and disallowed.

- CORE Operations – The Department of Natural Resources overexpended their cash line related to this appropriation by $88,683 to pay their federal portion of costs related to the implementation of a new statewide accounting system. The amount overexpended is equal to the combined federal appropriations for Fiscal Years 2015 and 2016. The Department does not have any federal partners to provide funding for this cost.

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

- Distribution to Local Public Health Agencies – This cash fund resided at the Department of Public Health and Environment but was repealed with the passing of House Bill 16-1408. Cleanup on the fund left the Department with a fund balance deficit of $529.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2,886,656. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has decreased from last year's amount of $3,294,462.

- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $5,189,122 related to lower than anticipated tax revenues resulting from low fuel prices.

- Division of Professions and Occupations Cash Fund The Department of Regulatory Agencies had a deficit fund balance in this fund of $471,306 due to unforeseen and inefficient permit activity revenue. Fees were increased for this fund in April 2016.

- Various – With the implementation of the new statewide financial system, CORE, there were four small overexpenditures individually totaling $3,482 due to timing mismatches.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2016-17 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2016:

- Health Care Expansion Fund - $227,350

- Medicaid Buy-In Cash Fund - $139,883

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

In the 2005 general election, voters approved Referendum C, a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2015-16 ESRC of $12,946.5 million.

In Fiscal Year 2014-15, revenue subject to the ESRC was originally $12,530.8 million or $169.7 million over the ESRC of $12,361.0 million. As a result, $169.7 million of revenue was due back to tax payers, plus $3.6 million of additional understated and un-refunded amounts from previous years. Total refunds were originally calculated to be $173.3 million.

In Fiscal Year 2015-16, a reclassification of revenue from federal sources and other adjustments for the prior year resulted in a $28.6 million reduction in the prior year spending limit and a lower TABOR refund payable than originally stated for Fiscal Year 2014-15.

Revenue in Fiscal Year 2015-16 subject to the ESRC was $12,824.4 million, which is $122.1 million under the $12,946.5 million ERSC, and $2,396.8 million over the original TABOR limit. TABOR refunds payable from Fiscal Year 2014-15 are $31.4 million.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $14,773.4 million -- $3,593.6 million during the initial five year revenue retention period, and an additional $11,179.8 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2015-16.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2015-16 that amount was $384.7 million.

At June 30, 2016, the financial net positions, or fund balance of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund – $33,000,000.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – $33,000,000.
- Controlled Maintenance Trust Fund, a portion of the major General Fund – $68,328,000.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – $5,000,000.
- The 2015 legislative session Long Appropriations Act designated up to $130,372,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2015 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were less than estimated, the amount designated for the reserve was $1,967,759 more than required by the State Constitution. However, 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 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,249.3 million ($7,254.7 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2016, the treasurer had invested $7,408.5 million (fair value) of the pool and held $0.5 million of certificates of deposit.

The State had an accounting system cash deposit balance of $ 1,200.4 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions $40.3 million of the State's total bank balance of $1,245.9 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $2.1 million with bank balances of $2.1 million at December 31, 2015. Of the booked amount, $250,000 was federally insured. The authority also reported as cash and cash equivalents $19.2 million held by the State Treasurer, $111.0 million held in COLOTRUST and CSAFE, and $189.1 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualify as 2a7-like investment pools, where the value of each share is maintained at $1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.
- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.
- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.
- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the Statement of Net Position also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,374.8 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,435.6 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount includes $220.9 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.
- $123.6 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $36.4 million recorded in nonmajor special revenue funds, of which, approximately $11.5 million is from gaming tax, $11.5 million is insurance premium tax, and $11.1 million is tobacco tax.

In addition, $58.1 million of Taxes Receivable, $33.2 million of Other Receivables, and $361.8 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $1,213.3 million shown on the government-wide *Statement of Net Position* are net of $171.7 million in allowance for doubtful accounts and primarily comprise the following:

- $575.9 million of student and other receivables of Higher Education Institutions.
- $427.8 million of receivables recorded in the General Fund, of which $14.5 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $361.1 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $6.8 million of patient receivables.
- $114.4 million recorded by Other Governmental Funds including $43.5 million of tobacco settlement revenues expected within the following year, $8.7 million of rent and royalty receivables recorded by the State Lands Fund and $16.3 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.
- $23.6 million recorded by the Resource Extraction Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $960.1 million at December 31, 2015. During 2015, the authority made new loans of $106.2 million and canceled or received repayments for existing loans of $172.8 million.

University of Colorado Foundation contributions receivable of $33.9 million and $77.6 million are reported as Contributions Receivable current and noncurrent, respectively, in the Statement of Net Position – Component Units. At June 30, 2016, the amount reported as contributions receivable totals $125.3 million of unconditional promises to give which were offset by an $11.6 million allowance for uncollectible contributions and a $2.2 million unamortized pledge discount using discount rates ranging from 0.41 percent to 5.81 percent.

At June 30, 2016, Contributions Receivable for the Colorado State University Foundation included contributions of $47.3 million, which were offset by $1.5 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $1.2 million of allowance for uncollectible pledges. At June 30, 2016, contributions from two donors represented approximately 36 percent of net contributions receivable for the foundation.

At June 30, 2016, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $30.8 million was offset by $3.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation's contributions receivable at June 30, 2016, consists of a pledge from one donor and approximately $4.9 million is due from trusts held by others.

At June 30, 2016, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was $7.3 million. It was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 60 percent of the foundation's contributions receivable at June 30, 2016 consists of pledges from two donors and approximately 26 percent of its contributions for the year are from three donors.

NOTE 12 – INVENTORIES

Inventories of $108.0 million shown on the government-wide *Statement of Net Position* at June 30, 2016, primarily comprises the following:

- $66.9 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $27.5 million.
- $22.6 million of consumable supplies inventories, of which, $10.8 million was recorded by the Higher Education Institutions, $8.6 million was recorded by the Highway Users Tax Fund, $1.8 million by the General Purpose Revenue Fund, and $820,398 by Parks and Wildlife, a nonmajor enterprise fund.
- $12.9 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $96.2 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- $13.1 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- $16.5 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $10.4 million in Higher Educational Institutions, of which $6.5 million was at Colorado State University that primarily related to library subscriptions.
- $4.6 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2015-16, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $55,128, for the Unclaimed Property Tourism Trust Fund of $5,101 and for the Major Medical Fund of $16,828. For the Treasurer's pooled cash fund, the State Treasurer realized a loss from the sale of investments of $172,747.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2016 and 2015, the treasurer had $85.9 million and $59.2 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 $8.2 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $4.9 million as of June 30, 2016. See Note 38 for additional details.

Excluding fiduciary funds, the State recognized $1,713,951 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2015-16.

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

(Amounts in Thousands)

Footnote Amounts		Carrying Amount
Deposits (Note 9)	$	1,200,413
Investments:		
Governmental Activities		8,360,490
Business-Type Activities		2,500,767
Fiduciary Activities		6,528,913
Less: Cash in Clearing Accounts		(2,166)
Total	$	18,588,417
Financial Statement Amounts		
Net Cash and Pooled Cash	$	6,008,646
Add: Warrants Payable Included in Cash		215,646
Total Cash and Pooled Cash		6,224,292
Add: Restricted Cash		2,381,846
Add: Restricted Investments		900,202
Add: Investments		9,081,510
Add: Unrealized Gain Not Posted		567
Total	$	18,588,417

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $14.0 million is reported in the Public School Buildings Fund, a Special Purpose General Fund. Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($67.5 million reported in the Debt Service Fund, an Other Governmental Fund and $3.3 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 3,633,085	$ -	$ 218,202	$ 3,851,287
Commercial Paper	846,606	-	-	846,606
Corporate Bonds	1,668,442	-	225,281	1,893,723
Asset Backed Securities	1,025,406	-	249,374	1,274,780
Mortgages Securities	4,919	8,205	161,855	174,979
Mutual Funds	230,000	-	3,170	233,170
Other	-	13,971	71,974	85,945
TOTAL INVESTMENTS	$ 7,408,458	$ 22,176	$ 929,856	$ 8,360,490

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: a variety of investments held by the University of Colorado Foundation ($325.7 million) and the Colorado School of Mines Foundation ($30.8 million); money market funds ($313.5 million); equity trusts ($288.1 million); repurchase agreements ($88.4 million); fixed income trusts ($42.4 million); municipal bonds ($20.4 million) and other investments ($10.6 million).

The *Other* category of the Other Enterprise funds primarily comprises the Bridge Enterprise trustee's holdings that include unexpended proceeds of $18.3 million from prior years of bond issuances.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 385,491	$ -	$ 385,491	$ 14,854
Commercial Paper	2,000	-	2,000	-
Corporate Bonds	272,242	-	272,242	-
Corporate Securities	13,938	-	13,938	-
Repurchase Agreements	-	-	-	686
Asset Backed Securities	99,625	-	99,625	-
Mortgages Securities	60,619	-	60,619	-
Mutual Funds	513,265	15,263	528,528	5,751,132
Other	1,119,918	18,406	1,138,324	762,241
TOTAL INVESTMENTS	$ 2,467,098	$ 33,669	$ 2,500,767	$ 6,528,913
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 116,012	$ -	$ 116,012	$ 14,854
Commercial Paper	2,000	-	2,000	-
Corporate Bonds	133,232	-	133,232	-
Corporate Securities	-	-	-	-
Repurchase Agreements	-	-	-	686
Asset Backed Securities	68,542	-	68,542	-
Mortgages Securities	3,469	-	3,469	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 323,255	$ -	$ 323,255	$ 15,540

Credit Quality Risk

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

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

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

In addition to the amounts shown in the following table:

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

(Amounts In Thousands)

Standard & Poor's	Moody's	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:											
Long-term Ratings											
AAA		$	$	$ 73,291	$	$ 1,025,406	$ 230,000	$	$	$	$ 1,328,697
AA		795,328		682,386		4,919					$ 1,482,633
A				835,003							$ 835,003
BBB				77,762							$ 77,762
Short-term Ratings											
A-1		1,639,664	846,606								$ 2,486,270
Unrated											
Total T-Pool		**2,434,992**	**846,606**	**1,668,442**	**-**	**1,030,325**	**230,000**	**-**	**-**	**-**	**6,210,365**
Higher Education Institutions:											
Long-term Ratings											
AAA		13,071		4,562		40,676				6,182	64,491
	Aaa	14,509		13,426		19,930	326,283	186		145	374,479
AA		115,589		44,283		25,130				7,881	192,883
	Aa	21,233		12,626		1,266		127		1,542	36,794
A				65,824		846				383	67,053
	A			38,940		3,482		274		277	42,973
BBB				34,656		241					34,897
	Baa			37,414		4,452		215			42,081
BB				319		14					333
	Ba			2,414		1,389		10			3,813
B						50					50
	B			121		358					479
CCC						837					837
	Caa			66		1,344					1,410
D				155		1,516					1,671
	Ca			109		167					276
Short-term Ratings											
	P-1		2,000								2,000
Unrated		30,621		16,321	88,365	57,846	8,796	186,798		5,707	394,454
Total Higher Ed		**195,023**	**2,000**	**271,236**	**88,365**	**159,544**	**335,079**	**187,610**	**-**	**22,117**	**1,260,974**
Fiduciary Funds:											
Long-term Ratings											
AAA				2,235		20,749					22,984
	Aaa				686						686
AA		17,287		23,675							40,962
A				29,429							29,429
BBB				9,355							9,355
Unrated							4,151,535	2,231,188	130,651		6,513,374
Total Fiduciary		**17,287**	**-**	**64,694**	**686**	**20,749**	**4,151,535**	**2,231,188**	**130,651**	**-**	**6,616,790**
All Other Funds:											
Long-term Ratings											
AAA				22,681		228,625					251,306
	Aaa						2,856				2,856
AA		135,288		111,312		156,929	876			4,428	408,833
A				19,257							19,257
BBB				7,337							7,337
Unrated						13,131					13,131
Total Other		**135,288**	**-**	**160,587**	**-**	**398,685**	**3,732**	**-**	**-**	**4,428**	**702,720**
Total		**$ 2,782,590**	**$ 848,606**	**$ 2,164,959**	**$ 89,051**	**$ 1,609,303**	**$ 4,720,346**	**$ 2,418,798**	**$ 130,651**	**$ 26,545**	**$ 14,790,849**

Interest Rate Risk

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

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

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Major Medical Insurance Fund (5 - 8 years), and the Unclaimed Property Tourism Promotion Trust Fund (5 - 10 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $251.9 million with a duration of 8.4 years and a short-term inflation protected securities index fund in the amount of $60.3 million with a duration of 2.5 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 10.081 year weighted average maturity of U.S. Government securities reported in the Fiduciary Funds comprises of $9.8 million in the Lottery Division, used to pay a prize annuity and $14.2 million of securities held by the Unclaimed Property Tourism Trust Fund. The Lottery also holds foreign government bonds with a fair value of $3.0 million and a weighted average maturity of 4.569 years. The Lottery plans to hold its investments to maturity.

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

		Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Pool %age	Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
49.0	U.S. Government Securities	$ 3,633,085	1.343	$ 83,942	4.753	$ 24,050	10.081	$ 218,202	5.961
11.4	Commercial Paper	846,606	0.094	2,000	0.500	-	-	-	-
22.5	Corporate Bonds	1,668,442	1.985	116,478	5.190	-	-	225,281	5.260
13.9	Asset Backed Securities	1,030,325	2.585	63,615	3.540	-	-	411,228	4.778
3.1	Money Market Mutual Funds	230,000	-	-	-	-	-	-	-
0.0	Municipal Bonds	-	-	12,484	4.900	-	-	3,308	8.460
0.0	Foreign Government Bonds	-	-	-	-	3,001	4.569	-	-
100	Total Investments	$ 7,408,458		$ 278,519		$ 27,051		$ 858,019	

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

The University of Colorado holds repurchase agreements of $88.4 million to provide temporary investment of funds restricted for capital construction projects. The repurchase agreements are over-collateralized and the counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. The $88.4 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 2.51 years.

Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The trustees' investment in the pool is not segregated, but is a share in the overall pool.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 178,653,659	4.400
U.S. Treasury TIPS	1,811,031	6.500
U.S. Government Agency GSE Notes	96,338,001	6.860
Municipal Bonds	7,899,817	7.520
Corporate Bonds	151,680,196	7.800
Certificates of Deposit	1,240,736	3.970
Asset Backed Securities	95,930,347	13.350
Bond Mutual Funds	180,517,670	2.330
Colorado School of Mines:		
Bond Mutual Funds-1	$ 970,824	5.700
Bond Mutual Funds-2	672,801	1.100
Bond Mutual Funds-3	439,883	0.800
Colorado Mesa University:		
U.S. Government Securities	$ 700,223	3.226
Corporate Bonds	994,280	3.480
Bond Mutual Funds	225,767	4.200
Taxable Municipal Bonds	492,103	3.060
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 670,733,666	5.870
Bond Mutual Fund-2	706,609,343	5.800
Bond Mutual Fund-3	427,713,477	0.096
Bond Mutual Fund-4	396,300,900	1.960
Bond Mutual Fund-5	192,365,571	7.900
Bond Mutual Fund-6	95,344,945	4.680
Bond Mutual Fund-7	46,001,943	5.800
Bond Mutual Fund -8	3,322,958	6.860

Foreign Currency Risk

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

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 90 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2015-16	Fiscal Year 2014-15
Governmental Activities:		
Major Funds		
General-General Purpose	$ 2,525	$ (1,911)
General-Special Purpose	2,224	(116)
Resource Extraction	2,384	(252)
Highway Users Tax	2,350	(1,852)
Capital Projects-Regular	910	571
Capital Projects-Special	17	(4)
State Education	(188)	(2,156)
NonMajor Funds:		
State Lands	21,717	328
Other Permanent Trusts	35	(9)
Labor	(573)	(1,654)
Gaming	378	(111)
Tobacco Impact Mitigation	517	(24)
Resource Management	47	(34)
Environment Health Protection	422	(125)
Other Special Revenue	1,712	76
Unclaimed Property	5,018	502
Information Technology	81	(72)
Administrative Courts	5	(2)
Legal Services	20	9
Other Internal Service	1	1
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(72,406)	(26,192)
Lottery	208	(51)
NonMajor Funds:		
CollegeInvest	429	(243)
Wildlife	482	(77)
College Assist	515	(88)
Correctional Industries	21	(10)
State Nursing Homes	54	(5)
Prison Canteens	23	1
Petroleum Storage Tank	8	(16)
Transportation Enterprise	610	(219)
Other Enterprise Activities	13	(15)
Fiduciary:		
Pension/Benefits Trust	(232)	(20)
Private Purpose Trust	(189,164)	(184,464)
	$(219,837)	$(218,234)

Fair Value Measurements

To the extent available, the State's investments are recorded at fair value as of June 30, 2016. Fair value is the price that would be received to sell and 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 – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

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, 2016:

		Fair Value Measurements Using		
	Fair Value as of 6/30/2016 (in thousands)	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. Government Securities	$ 4,264,463	$ 282,943	$ 3,981,520	$ -
Bank Acceptances	-	-	-	-
Commercial Paper	848,607	-	848,607	-
Corporate Bonds	2,165,964	139,010	2,026,954	-
Corporate Equities	12,828	12,828	-	-
Repurchase Agreements	686	686	-	-
Asset-backed Securities	1,374,405	31,083	1,343,322	-
Mortgages	235,598	57,150	170,243	8,205
Mutual Funds	6,506,987	6,384,325	122,662	-
Reverse Repurchase Agreements	-	-	-	-
Guaranteed Investment Contracts	-	-	-	-
Other - Uncategorized	801,803	636,431	37,403	127,969
Total Investments by Fair Value Level	$ 16,211,341	$ 7,544,456	$ 8,530,711	$ 136,174

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Below are the primary inputs and valuation techniques used for Level 3 Other - Uncategorized.

Other – Uncategorized Investments

Interest in Foundation Investments – the Colorado School of Mines and Colorado State University interest in Foundation investments are managed by their respective Foundations on behalf of each institution, and are reflected in each Foundation's Long-term Investment Pool (LTIP). The investments totaling $30.8 million for the School of Mines and $13.0 million for Colorado State University represent a share of the Foundation's LTIP and therefore, the institutions do not own any specific investments. As such, the fair value measurements for the investments were reported as Level 3 inputs. The investments are under each Foundation's LTIP policy. This policy requires funds to be managed in a diversified manner to reduce risks with the goal of providing a steady stream of funding. The LTIP must be over a broad investment spectrum in order to create a mix of potential returns that, in the aggregate, would achieve the overall portfolio objectives. This diversification is to ensure that adverse or unexpected developments arising in one security or asset class will not have a significant detrimental impact on the entire portfolio.

Capital Construction Financing – these investments totaling $83.7 million represent Certificates of Participation (COPs) proceeds held by the trustee on behalf of the state. There is no market price associated with these investments.

Deferred Property Taxes – these investments totaling $8.2 million represent taxes paid to counties on behalf of property owners in Colorado. The value shown is the outstanding balance owed to the State at June 30, 2016, and there is no market price associated with these investments.

The valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) is presented on the following table.

Investments Measured at the Net Asset Value (NAV)	
Fixed Income Trust	42,400
Equity Trust	288,057
Money Market Funds	313,507
Repurchase agreements	89,051
CU Foundation	325,670
Guaranteed Investment Contracts	130,651
Money Market Funds	1,205
Total Investments Measured at the NAV	$ 1,190,541

Component Units

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

Component Units – Non-Foundations

Except for guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2015, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 88,751
Repurchase Agreements	69,986
TOTAL INVESTMENTS	$ 158,737

The Authority's statements do not reflect the reporting requirements of GASB Statement No. 72, as its year-end was December 31, 2015 and GASB 72 is not effective until financial statement periods beginning after June 30, 2015.

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

Credit Quality Risk

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with U.S. Treasuries, Government Agencies and obligations explicitly guaranteed by the U.S. Government. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. Government agency securities collateralizing the repurchase agreements are all rated AAA. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment is not required.

Interest Rate Risk

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service, and holding those investments to maturity. The authority had $158.7 million of investments subject to interest rate risk with the following maturities; one year or less – 8 percent, two to five years – 29 percent, six to ten years – 31 percent, eleven to fifteen years – 26 percent, and sixteen years or more – 6 percent.

Concentration of Credit Risk

Component Units – Foundations

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

At June 30, 2016, the University of Colorado Foundation held $336.8 million of domestic equity securities, $355.3 million of international equity securities, $189.2 million of fixed income securities and $563.7 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. Ninety percent of the University of Colorado Foundation's alternative investments, or $505.5 million in fair value, are carried at net asset value and do not fall in the fair value hierarchy. See the following table.

		Fair Value Measurements Using		
	Fair Value	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				
Cash and cash equivalents	$ 7,204,666	$ 7,204,666	$	$
Domestic equities	332,793,658	332,793,658		
International equities	355,301,583	355,301,583		
Fixed income	189,176,921	15,264,021	173,912,900	
Alternative				
Private equity	38,100,000		38,100,000	
Venture capital	285,095			285,095
Commodities	19,112,684	19,112,684		
Other	678,497		454,975	223,522
Assets held under split-interest agreements	37,500,985	34,492,219	3,008,766	
Beneficial interests in charitable trusts	7,430,388			7,430,388
Total Investments by Fair Value Level	$ 987,584,477	$ 764,168,831	$ 215,476,641	$ 7,939,005
Alternative Investments Measured at the Net Asset Value (NAV)				
Real estate	$ 76,431,377			
Private equity	191,164,474			
Long/short hedged equity	28,514,933			
Absolute returns	136,277,227			
Venture capital	60,778,714			
Commodities	12,349,347			
Total Investments Measured at the NAV	505,516,072			
Total Investments	$ 1,493,100,549			

The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment loss of $24.4 million is net of $11.5 million of investment fees and comprises

$18.3 million of interest, dividends and other income, $25.6 million of realized gains, and $56.8 million of unrealized losses.

At June 30, 2016, the Colorado State University Foundation held $201.8 million of equity securities, $31.9 million of fixed income securities, $143.3 million of alternative investments (comprising hedged equities, absolute return, private equity and alternative fixed income investments), and $48.1 million in cash and other investments. Certain level 3 assets were held in investments that calculate net asset value per share.

	Fair Value	Fair Value Measurements Using: 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				
Cash equilvalents	$ 7,577,989	$ 7,577,989	$	$
Equities	201,817,571	108,305,985	93,511,586	
Fixed income	31,870,308	31,870,308		
Alternative investments	-			
Hedged equities	25,540,383		13,462,386	12,077,997
Absolute return	72,128,317		72,088,416	39,901
Private equity	41,314,697			41,314,697
Fixed income	4,364,860			4,364,860
Short duration	39,693,975	39,693,975		
Student-managed investments	855,041	855,041		
Total Investments by Fair Value Level	$ 425,163,141	$ 188,303,298	$ 179,062,388	$ 57,797,455

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. At June 30, 2016 the CSMF held $282.1 million of investments consisting of $255.6 million held as a long-term investment pool, $10.7 million in beneficial interests in endowments, $11.8 million in split-interest agreements, and $4.0 million in gift annuity agreements. Of the Level 3 investments, $167.9 million was held in certain entities that calculate net asset value per share.

	Fair Value	Fair Value Measurements Using: 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				
Long-term investments				
Managed domestic equity funds	$ 59,775,857	$ 41,796,526	$ 17,979,331	$
Internaational equities	61,439,865	25,045,090	36,394,775	
Fixed income	9,583,230			9,583,230
Fixed income - mutual funds	17,287,481	17,287,481		
Cash equivalent funds	3,555,061		3,555,061	
Long/short hedge funds	59,154,697		35,707,761	23,446,936
Private equity/venture capital	44,823,921			44,823,921
Chartiable trusts	26,468,859	25,906,074	418,911	143,874
Total Investments by Fair Value Level	$ 282,088,971	$ 110,035,171	$ 94,055,839	$ 77,997,961

At June 30, 2016, the University of Northern Colorado Foundation held $41.7 million of equity securities, $18.7 million of fixed income securities, $32.3 million of alternative investments, $3.8 million of cash and other investments and $6.8 million in beneficial interest in trusts held by others. Level 3 assets in the table on the next page are held in certain entities that calculate net asset value. The Foundation's investment loss of $2.4 million is net of $0.4 million of management fees and comprises $2.0 million of interest and dividends and $4.0 million of realized and unrealized losses.

	Fair Value	Fair Value Measurements Using: 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				
Cash equivalent mutual funds	$ 442,950	$ 442,950	$	$
Equities	41,707,187	41,707,187		
Fixed income	18,733,869	9,291,425	9,442,444	
Student-managed funds	2,409,676		2,409,676	
Stock/bond mixed mutual funds	930,419	930,419		
Alternative Investments				
Low correlated hedge	14,638,203			14,638,203
Limited partnerships	5,776,703	5,776,703		
Commodities	4,038,012	4,038,012		
Real estate	3,737,093			3,737,093
Illiquid Credit	2,248,967			2,248,967
Private equity	1,908,095			1,908,095
Beneficial interest in long-term trusts	6,796,726			6,796,726
Total Investments by Fair Value Level	$ 103,367,900	$ 62,186,696	$ 11,852,120	$ 29,329,084

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

The $805.2 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 $220.9 million and $58.1 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the *Balance Sheet – Governmental Funds* but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by unearned revenue.

The $454.0 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($12.2 million), a major special revenue fund, and the Resource Extraction Fund ($417.6 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $129.4 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2015-2016 the State capitalized $39.6 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $35.1 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2015-16. The schedule shows that $691 million of construction in progress projects were completed and added to capital assets for Governmental activities, and $1.1 billion of construction in progress were completed and added to capital assets for Business Type activities.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	104,605	$ 6,275	$ -	$ 18	$ 110,898
Land Improvements	7,276	-	-	-	7,276
Collections	10,996	-	-	-	10,996
Other Capital Assets	1,063	-	-	747	1,810
Construction in Progress (CIP)	897,973	565,729	(690,881)	(15,521)	757,300
Infrastructure	946,314	2	17,314	-	963,630
Total Capital Assets Not Being Depreciated	1,968,227	572,006	(673,567)	(14,756)	1,851,910
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	47,916	1,713	554	(121)	50,062
Buildings	2,854,611	24,037	299,705	(1,837)	3,176,516
Software	296,936	58,517	11,883	(58,736)	308,600
Vehicles and Equipment	869,576	94,719	2,453	(58,402)	908,346
Library Materials and Collections	6,203	237	-	(694)	5,746
Other Capital Assets	38,004	1,350	(1,131)	(889)	37,334
Infrastructure	11,040,862	24	360,103	22,953	11,423,942
Total Capital Assets Being Depreciated	15,154,108	180,597	673,567	(97,726)	15,910,546
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(30,307)	(1,921)	-	73	(32,155)
Buildings	(877,177)	(77,823)	-	106	(954,894)
Software	(185,705)	(28,043)	-	286	(213,462)
Vehicles and Equipment	(516,585)	(67,239)	-	28,117	(555,707)
Library Materials and Collections	(4,313)	(462)	-	698	(4,077)
Other Capital Assets	(33,316)	(1,830)	-	128	(35,018)
Infrastructure	(3,734,054)	(372,674)	-	573	(4,106,155)
Total Accumulated Depreciation	(5,381,457)	(549,992)	-	29,981	(5,901,468)
Total Capital Assets Being Depreciated, net	9,772,651	(369,395)	673,567	(67,745)	10,009,078
TOTAL GOVERNMENTAL ACTIVITIES	11,740,878	202,611	-	(82,501)	11,860,988
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	525,125	18,753	5,435	-	549,313
Land Improvements	16,882	-	-	-	16,882
Collections	25,279	1,469	-	192	26,940
Construction in Progress (CIP)	1,180,434	949,580	(1,108,854)	(15,249)	1,005,911
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	25,414	-	12,520	-	37,934
Total Capital Assets Not Being Depreciated	1,788,595	969,802	(1,090,899)	(15,057)	1,652,441
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	636,701	6,532	68,670	965	712,868
Buildings	7,688,747	21,983	659,842	(7,347)	8,363,225
Software	201,390	19,417	7,415	(548)	227,674
Vehicles and Equipment	1,046,278	85,047	7,182	(55,511)	1,082,996
Library Materials and Collections	534,889	23,198	-	(1,517)	556,570
Other Capital Assets	4,146	-	-	-	4,146
Infrastructure	446,447	88,281	347,790	(27,546)	854,972
Total Capital Assets Being Depreciated	10,558,598	244,458	1,090,899	(91,504)	11,802,451
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(336,914)	(30,588)	-	40	(367,462)
Buildings	(2,691,639)	(262,432)	-	2,228	(2,951,843)
Software	(145,783)	(24,152)	-	(1,993)	(171,928)
Vehicles and Equipment	(753,361)	(81,566)	-	51,849	(783,078)
Library Materials and Collections	(404,013)	(20,405)	-	1,250	(423,168)
Other Capital Assets	(1,429)	(294)	-	-	(1,723)
Infrastructure	(40,416)	(12,607)	-	-	(53,023)
Total Accumulated Depreciation	(4,373,555)	(432,044)	-	53,374	(4,752,225)
Total Capital Assets Being Depreciated, net	6,185,043	(187,586)	1,090,899	(38,130)	7,050,226
TOTAL BUSINESS-TYPE ACTIVITIES	7,973,638	782,216	-	(53,187)	8,702,667
TOTAL CAPITAL ASSETS, NET	$ 19,714,516	$ 984,827	$ -	$ (135,688)	$ 20,563,655

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

(Amounts in Thousands)

		Depreciation Amount
GOVERNMENTAL ACTIVITIES		
	General Government	$ 20,354
	Business, Community and Consumer Affairs	2,552
	Education	31,845
	Health and Rehabilitation	20,479
	Justice	47,506
	Natural Resources	1,670
	Social Assistance	1,134
	Transportation	395,285
	Internal Service Funds (Charged to programs and BTAs based on usage)	29,167
Total Depreciation Expense - Governmental Activities		549,992
BUSINESS-TYPE ACTIVITIES		
	Higher Education Institutions	402,691
	Other Enterprise Funds	26,999
	Unemployment Insurance	1,913
	State Lottery	443
Total Depreciation Expense - Business-Type Activities		432,046
Total Depreciation Expense Primary Government		$ 982,038

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $147.6 million, net of accumulated depreciation of $85.6 million, at December 31, 2015. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC @ Metro, Inc., a nonmajor component unit, reported $39.4 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $4.9 million.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

<u>Administration of the Plan</u>

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

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

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

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

<u>Defined Retirement Benefits</u>

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

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

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

Monthly benefits, except as discussed below, are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). Monthly benefits in the Judicial Division for retirements on or after July 1, 1999 for members hired on or before July 1, 1973 are calculated as 4 percent for the years 0-10, 1.66 percent for years 11-16, 1.5 percent for years 17-20, and 2.5 percent for years 21 and greater.

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

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in the Annual Increase Reserve (AIR) established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

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

<u>Money Purchase Retirement Benefit</u>

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

<u>Service Requirement and Termination</u>

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limit the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2016.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

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

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

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

The following table summarizes employer contribution requirements, including AED and SAED for all employees except Judges and State Troopers for the last three fiscal years. The rates in the table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S., Section 24-51-208 (1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the State Division	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the State Division	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

For State Troopers the State was required to contribute 12.85 percent and AED and SAED based on the rates shown in the previous table. For Judges the State was required to contribute 13.66 percent and AED of 2.20 percent and SAED of 1.50 percent (frozen at that level since 2010).

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2015, the State Division of PERA had a funded ratio of 57.6 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 55.6 percent. The Judicial Division had a funded ratio of 71.4 percent based on current contribution rates and 68.8 percent based on market rates.

Employer contributions are recognized by the State Division in the period in which the compensation becomes payable to the member and the State of Colorado is statutorily committed to pay the contributions to the State Division. In Fiscal Year 2015-16 the State made retirement contributions of $589.6 million and $7.4 million for the State and Judicial Divisions, respectively, excluding the Heath Care Trust Fund contribution.

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

C. PENSION RELATED BALANCES

At fiscal year ended 2016, the State of Colorado reported a liability of $10.3 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The proportion of the net pension liability was based on contributions to the State and Judicial Divisions for the calendar year 2015 relative to the total contributions of participating employers to the State and Judicial Divisions.

At December 31, 2015, the State of Colorado's proportion of the State Division was 95.71 percent, which was a decrease of 0.14 percent from its proportion measured as of December 31, 2014 (93.98 percent for the Judicial Division, which is an increase of 0.38 percent).

For the Fiscal Year 2015-16, the State of Colorado recognized pension expense for the State and Judicial Divisions of $1,021.8 million. For the State Division the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	128,186	509
Changes of assumptions or other inputs	-	118,885
Net difference between projected and actual earnings on pension plan investments	751,801	35
Changes in proportion and differences between contributions recognized and proportionate share of contributions	116,103	119,895
Contributions subsequent to the measurement date	243,032	-
Total	$ 1,239,122	$ 239,324

For the Judicial Division the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts In Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	3,111	3
Changes in assumptions and other inputs	26,353	-
Net difference between projected and actual earnings on pension plan investments	11,730	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,053	-
Contributions subsequent to the measurement date	4,031	-
Total	$ 47,278	$ 3

Deferred outflows of resources totaling $247.1 million for the State Division and Judicial Division) related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year ended 2016. For the State Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts In Thousands)

Fiscal Year Ended	
2017	59,206
2018	59,263
2019	55,678
2020	9,720
2021	-
Thereafter	-

For the Judicial Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts In Thousands)

Fiscal Year Ended	
2017	(1,939)
2018	(1,939)
2019	(1,430)
2020	142
2021	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	State Division	Judicial Divison
Actuarial cost method	Entry age	Entry age
Price inflation	2.80%	2.80%
Real wage growth	1.10%	1.10%
Wage inflation	3.90%	3.90%
Salary increases, including wage inflation	3.90 to 9.57%	4.40 to 5.40%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%	7.50%
Muncipal bond index rate 12/31/15	None	3.57%
Beginning period of application	None	2040
Discount rate	7.50%	5.73%
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- 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 annual increase 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 first projection year.
  - Elimination of the assumption that 35% 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 unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The State Division's long-term expected rate of return on pension plan investments was determined using 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; ultimately support a long-term expected rate of return assumption of 7.50 percent.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.50 percent and 5.73 percent for the State and Judicial Divisions, respectively. 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 3.90 percent.

- Employee contributions were assumed to be made at the current member contribution rate. 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, including 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 included 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the previously discussed assumptions, for the State Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return 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. There was no change in the discount rate from the prior measurement date. For the Judicial Division the fiduciary net position was projected to be depleted in 2040 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.50 percent on plan investments was applied to all periods before 2040 and the Bond Buyer Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System, was applied on and after 2040 to develop the discount rate. The discount rate used to measure the total pension liability from the prior measurement date was 6.14 percent, a change of (0.41) percent compared to the current measurement date.

The following table shows the sensitivity of Colorado's proportionate share of the net pension liability to changes in the discount rate for the State Division and Judicial Division from 7.50 percent and 5.73 percent respectively to 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 (6.50 percent and 4.73 percent respectively) or 1-percentage-point higher (8.50 percent and 6.73 percent respectively):

State Division

(Amount in Thousands)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 12,733,718	$ 10,079,249	$ 7,858,879

Judicial Division

(Amount in Thousands)

	1% Decrease (4.73%)	Current Discount Rate (5.73%)	1% Increase (6.73%)
Proportionate share of the net pension liability	$ 222,293	$ 172,828	$ 130,582

D. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2015-16 and 2014-15, the Department of Local Affairs transferred $3.7 million and $4.2 million, respectively, to the association for pension contributions and premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

Employees of the Colorado Water Resources and Power Development Authority (CWRPDA) are covered under the State Division of PERA as discussed above. The Authority implemented GASB Statement Nos. 68 and 71 for its fiscal year ended December 31, 2015, which is the fiscal year for the Authority included in this report. The implementation of GASB Statement Nos. 68 and 71 resulted in a decrease to the beginning net position of CWRPDA for its fiscal year ended December 31, 2015 of $3.03 million. Refer to Note 29B of this report for additional information on the Authority's prior period adjustment. The Authority reported a liability of $3.33 million for its proportionate share of the net pension liability at December 31, 2015 and pension expense of $256,401 for its fiscal year ended December 31, 2015. CWRPDA reported total deferred outflows of resources of $254,882 and total deferred inflows of resources of $17,570 related to pensions at December 31, 2015. The audited financial statements for the Colorado Water Resources and Power Development Authority for its fiscal year ended December 31, 2015 include additional information related to pensions and are available at: http://www.cwrpda.com/index.php/reports.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-3) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Title 24, Article 51, Part 12 of the Colorado Revised Statutes establishes the Fund and authorizes PERA to administer and subsidize a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2015, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.27 billion, a funded ratio of 18.4 percent, and a 30-year amortization period.

The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208(1)(f) of the Colorado Revised Statutes. Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $34.3 million, $27.0 million, $25.9, million, $24.9 million, and $24.1 million in Fiscal Years 2015-16, 2014-15, 2013-14, 2012-13, and 2011-12 respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered health care plans in 2014. As of December 31, 2015, there were 55,092 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2015, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return and discount rate, and an aggregate 3.90 percent projection of salary increases, both assuming a 2.80 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually by 5.00 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

The financial statements for the PERA Health Care Trust Fund can be found within PERA's financial statements as referenced at the beginning of Note 18.

University of Colorado – Other Postemployment Benefits Plan

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

Board of Regents has the authority to establish and amend benefits provisions.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2015-16, the University contributed $14.4 million to the plan. Plan members contributed 0.26 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.98 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

(Amounts In Thousands)

Annual required contribution	$ 65,667
Interest on net OPEB obligation	10,880
Adjustment to annual required contribution	(14,843)
Annual OPEB cost (expense)	61,704
Contributions made	(14,350)
Increase/(Decrease) in net OPEB obligation	47,354
Net OPEB obligation - beginning of year	241,779
Net OPEB obligation - end of year	289,133

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015-16	$ 61,704	23.3%	$ 289,133
2014-15	$ 62,461	26.1%	$ 241,779
2013-14	$ 46,842	35.5%	$ 195,587

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $523.4 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $523.4 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.3 billion, and the ratio of UAAL to covered payroll was 39.2 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a 4.5 percent investment rate of return, and health care trend rates ranging from 5.5 to 10.0 percent in 2015, down to 5.0 percent in 2030. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare qualifying trust plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $433 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by going to: http://busfin.colostate.edu/Resources/Fin_Statements.aspx

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX, and LTD plans is set by the University in consultation with outside benefit consultants, under-writers, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2015-16, the University contributed $4.5 million to the RMPR at a contribution rate of 1.39 percent of covered earnings, $2.0 million to the RMPS at a 11.27 percent contribution rate, and $0.1 million to the URX at a 0.69 percent contribution rate. Employees contributed $1.4 million at a 0.32 percent contribution rate to the LTD plan. Members of the RMPS, RMPR, and URX plans are not required to make contributions, however members of the LTD plan are required to contribute. As of June 30, 2016, RMPR had 4,472 active members, 17 terminated but eligible members, and 408 retired members or beneficiaries receiving benefits; the RMPS had 193 active members, 157 terminated but eligible members, and 508 retired members or beneficiaries receiving benefits; the URX had 193 active members, 157 terminated but eligible members, and 353 retired members or beneficiaries receiving benefits; and LTD had 5,064 active members and 26 retired members or beneficiaries receiving benefits.

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

As of the most recent actuarial valuation date of January 1, 2016, funded ratios for RMPR, RMPS, URX, and LTD were 102.2 percent, 48.8 percent, 26.0 percent, and 65.7 percent, respectively. RMPR, RMPS, URX, and LTD reported actuarial value of plan assets of $40.7 million, $22.3 million, $0.6 million, and $7.9 million, respectively, and actuarial accrued liabilities of $39.8 million, $45.6 million, $2.3 million, and $12.1 million, respectively. The actuarial value of plan assets for RMPR exceeded the actuarial accrued liability so the plan was overfunded on an actuarial basis by $896,000. RMPS, URX, and LTD reported unfunded actuarial accrued liabilities of $23.4 million, $1.7 million and $4.1 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $325.1 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.3 percent. Plan contributions for RMPS, URX, and LTD are not based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans use the unit credit method. All four plans used a 4 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR and URX assumed no health care cost trend adjustment, and RMPS assumed an annual healthcare cost trend initial rate of 7 percent declining to an ultimate rate of 5 percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years. The amortization period for the RMPR was reduced to a one-year open period with the transfer to a qualified trust, while 22 years remain on the closed period for the RMPS and URX and 30 years remains for the LTD open period.

Other Programs

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. The State uses a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2015-16, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $10 or $20 depending on the level of participation.

The State offers two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2015, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had net position of $691.7 million and 17,814 participants.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2015, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. On December 31, 2015, the plan had net position of $2,644 million and 68,791 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Title 24, Article 51, Part 15 of the Colorado Revised Statutes, assigns the authority to establish Plan provisions to the PERA Board of Trustees.

Contribution requirements are established under Title 24, Article 51, Section 1505 of the Colorado Revised Statutes. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). Additionally, the State of Colorado is required to contribute AED and SAED to the State Division as shown in the following table. The rates in the table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the State Division	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

Participating employees of the PERA defined contribution 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 defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2015, the plan had a net position of $141.0 million and 5,403 participants.

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

Higher Education Optional Retirement Plans

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

Other State Retirement Plans

The State made contributions to other retirement plans of $173.4 million and $142.0 million during Fiscal Years 2015-16 and 2014-15, respectively. In addition, the State paid $123.6 million and $101.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2015-16 and 2014-15, respectively.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2015-16 85 faculty members participated in the program at a present value accrued cost of $7.2 million, with an assumed discount rate of 5 percent.

Component Units

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

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (CRS 24-30-1501); 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 ($500,000 deductible). Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through the workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $375,000 per individual. In Fiscal Year 2015-16, the State recovered approximately $2.1 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $8.1 million of insurance recoveries during Fiscal Year 2015-16. Of that amount approximately $3.2 million was related to asset impairments that occurred in prior years. The remaining $4.8 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $2.1 million, as noted above), a Pension and Other Employee Benefits Fund, and $1.1 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 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2015-16, 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 and $11.1 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2015-16 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $258,815 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013-14 through 2015-16. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Years 2015-16, however, the University collected $500,263 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2013-14 through 2015-16.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 and has purchased reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability ($10,000 self-insured retention). There were no significant reductions in insurance coverage in

Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, 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 $448.1 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 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 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 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 worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 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 $2,000,000 ($1,000 deductible for accidents and acts of nature, $10,000 for loss to property). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2015-16, 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 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2015-16 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				
2015-16	27,429	1,767	4,270	24,926
2014-15	23,395	10,599	6,565	27,429
2013-14	29,194	(2,094)	3,705	23,395
Workers' Compensation				
2015-16	130,357	36,072	32,757	133,672
2014-15	120,600	43,642	33,885	130,357
2013-14	119,689	32,911	32,000	120,600
Group Benefit Plans:				
2015-16	14,717	188,021	186,972	15,766
2014-15	14,248	183,548	183,079	14,717
2013-14	12,647	162,025	160,424	14,248

Changes in Claims Liabilities
(Amounts in Thousands)

(Continued)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2015-16	13,858	10,180	7,312	16,726
2014-15	14,445	8,684	9,271	13,858
2013-14	10,962	11,715	8,232	14,445
University of Colorado Denver:				
Medical Malpractice				
2015-16	9,498	2,883	912	11,469
2014-15	7,139	4,060	1,701	9,498
2013-14	5,448	3,798	2,107	7,139
Graduate Medical Education Health Benefits Program				
2015-16	1,799	7,233	7,366	1,666
2014-15	1,711	7,644	7,556	1,799
2013-14	1,386	8,595	8,270	1,711
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2015-16	28,660	46,728	48,628	26,760
2014-15	33,555	40,237	45,132	28,660
2013-14	32,540	40,337	39,322	33,555
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2015-16	56	367	68	355
2014-15	81	32	57	56
2013-14	101	69	89	81
Fort Lewis College:				
Worker's Compensation				
2015-16	13	15	28	-
2014-15	21	24	32	13
2013-14	3	18	-	21
General Liability				
2015-16	-	44	5	39
2014-15	-	-	-	-
2013-14	-	-	-	-
Colorado Mesa University:				
Workers' Compensation				
2015-16	28	220	28	220
2014-15	17	50	39	28
2013-14	67	26	76	17
General Liability				
2015-16	-	35	32	3
2014-15	-	548	548	-
2013-14	118	(30)	88	-
Western State Colorado University:				
Workers' Compensation				
2015-16	-		-	
2014-15	14	(11)	3	-
2013-14	110	-	96	14
General Liability				
2015-16	-		-	
2014-15	-	-	-	-
2013-14	20	(20)	-	-

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 22 – LEASE COMMITMENTS

Primary Government

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

At June 30, 2016, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ -	$ 58,056	$ 251,276
Business-Type Activities	-	40,032	51,427
Total	$ -	$ 98,088	$ 302,703

At June 30, 2016, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 62	$ 209	$ 271
Business-Type Activities	-	11	11
Total	$ 62	$ 220	$ 282

During the year ended June 30, 2016, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Governmental Activities	$ -	$ -	$ -
Business-Type Activities	$ -	$ 25	$ 25
Total	$ -	$ 25	$ 25

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $1.2 million in Fiscal Year 2015-16 for leased space, and at June 30, 2016 had total future lease obligations for leased space of $7.3 million. It also paid CSURF $4.3 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $22.6 million.

In Fiscal Year 2015-16, the Community College of Aurora made operating lease payments of approximately $2.2 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2015-16, the State recorded building and land rent of $58.3 million for governmental-type activities, $24.6 million for business-type activities and $37 thousand for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $11.0 million and $40.0 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.2 million of capital lease interest costs for governmental activities and $1.7 million for business-type activities.

The State entered into approximately $19.2 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, 2016, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases: Governmental Activities	Operating Leases: Business-Type Activities	Capital Leases: Governmental Activities Principal	Capital Leases: Governmental Activities Interest	Capital Leases: Business-Type Activities Principal	Capital Leases: Business-Type Activities Interest
2017	$ 45,769	$ 26,495	$ 28,261	$ 3,609	$ 9,132	$ 1,677
2018	43,663	23,203	23,252	2,953	6,838	1,456
2019	37,948	18,745	19,645	2,471	5,342	1,279
2020	29,565	16,061	16,909	2,044	4,618	1,130
2021	26,949	12,098	15,072	1,680	3,681	991
2022 to 2026	97,325	33,348	41,095	3,847	21,362	3,064
2027 to 2031	5,325	12,674	6,431	467	6,153	408
2032 to 2036	1,017	653	-	-	-	-
2037 to 2041	208	568	-	-	-	-
2042 to 2046	136	441	-	-	-	-
2047 to 2051	61	176	-	-	-	-
2052 to 2056	61	-	-	-	-	-
Thereafter	627	-	-	-	-	-
Present Value of Minimum Lease Payments And Imputed Interest	$ 288,654	$ 144,462	$ 150,665	$ 17,071	$ 57,126	$ 10,005

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2015, was $129,483. The total minimum rental commitment as of December 31, 2015, is $361,697.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2022. The total rental expense for the year ended June 30, 2016 was $147,590. The total minimum rental commitment under the leases was $874,000 at June 30, 2016.

NOTE 23 – SHORT-TERM DEBT

On July 23, 2015 the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2015A. The notes were due and payable on June 28, 2016, at a coupon rate of 1.667 percent. The total interest related to this issuance was $9.3 million; however, the notes were issued at a premium of $7.7 million, resulting in net interest costs (including the cost of issuance) of $1.7 million and a yield of 0.278 percent. The notes were issued for cash management purposes and were repaid by June 28, 2016, 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 21, 2015, the State Treasurer issued $165.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015A. The notes were due and payable on June 29, 2016, at a coupon rate of 1.545 percent. The total interest related to this issuance was $2.4 million; however, the notes were issued at a premium of $1.9 million, resulting in net interest costs (including cost of issuance) of $707,046 or 0.293 percent. The notes matured on June 29, 2016, and were repaid.

On January 12, 2016, the State Treasurer issued $339.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015B. The notes were due and payable on June 29, 2016, at a coupon rate of 2.103 percent. The total interest related to this issuance was $3.3 million; however, the notes were issued at a premium of $2.9 million, resulting in net interest costs (including cost of issuance) of $537,973 or 0.231 percent. The notes matured on June 29, 2016, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2016:

(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	-	504,000	(504,000)	-
Total Governmental Activities Short-Term Financing	-	1,104,000	(1,104,000)	-
Total Short-Term Financing	$ -	$ 1,104,000	$ (1,104,000)	$ -

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

Primary Government

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

During Fiscal Year 2015-16 the State's governmental activities had $128.8 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $1,760.3 million in available net revenue after operating expenses to meet the $407.5 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 35.)

During Fiscal Year 2015-16 the State recorded $237.8 million of interest costs, of which $68.3 million was recorded by governmental activities and $169.5 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $10.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.5 million of interest on Certificates of Participation issued by the Judicial Branch, $28.2 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and $7.4 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 $143.8 million of interest on revenue bonds issued by institutions of higher education, $12.2 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $9.7 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $3.7 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2016, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 126,100	$ 2,680	$ 2,090	$ 275	$ 43,645	$ 47,841	$ 171,835	$ 50,796
2018	-	-	2,135	231	44,855	46,633	46,990	46,864
2019	-	-	2,175	187	46,170	45,278	48,345	45,465
2020	-	-	2,220	142	27,385	43,905	29,605	44,047
2021	-	-	2,270	95	50,465	103,234	52,735	103,329
2022 to 2026	-	-	2,315	48	259,715	180,010	262,030	180,058
2027 to 2031	-	-	-	-	347,995	128,409	347,995	128,409
2032 to 2036	-	-	-	-	258,410	61,151	258,410	61,151
2037 to 2041	-	-	-	-	80,540	16,415	80,540	16,415
2042 to 2046	-	-	-	-	22,655	2,240	22,655	2,240
Subtotals	126,100	2,680	13,205	978	1,181,835	675,116	1,321,140	678,774
Unamortized Prem/Discount	1,825	-	-	-	23,337	-	25,162	-
Totals	$ 127,925	$ 2,680	$ 13,205	$ 978	$ 1,205,172	$ 675,116	$ 1,346,302	$ 678,774

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2017	$ 242,629	$ 183,826	$ 2,075	$ 1,388	$ 21,755	$ 15,594	$ 266,459	$ 200,808
2018	122,018	177,335	1,109	1,257	22,805	14,546	145,932	193,138
2019	127,884	172,553	528	1,225	23,760	13,398	152,172	187,176
2020	130,004	167,217	583	1,210	24,660	12,239	155,247	180,666
2021	136,082	162,042	497	1,196	25,815	11,086	162,394	174,324
2022 to 2026	721,696	724,059	49,188	8,494	132,941	35,489	903,825	768,042
2027 to 2031	771,939	549,682	-	-	83,475	7,690	855,414	557,372
2032 to 2036	786,164	357,947	-	-	-	-	786,164	357,947
2037 to 2041	638,225	171,603	-	-	-	-	638,225	171,603
2042 to 2046	246,945	49,480	-	-	-	-	246,945	49,480
2047 to 2051	53,615	15,156	-	-	-	-	53,615	15,156
2052 to 2056	44,070	4,637	-	-	-	-	44,070	4,637
Subtotals	4,021,271	2,735,537	53,980	14,770	335,211	110,042	4,410,462	2,860,349
Unamortized Prem/Discount	267,865	-	(12)	-	37,451	-	305,304	-
Unaccreted Interest	(8,075)	-	-	-	-	-	(8,075)	-
Totals	$ 4,281,061	$ 2,735,537	$ 53,968	$ 14,770	$ 372,662	$ 110,042	$ 4,707,691	$ 2,860,349

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

Assuming current interest rates are applied over the term of the debt, at June 30, 2016, 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
2017	$ 675	$ 122	$ 1,283	$ 2,080
2018	975	119	1,255	2,349
2019	550	117	1,232	1,899
2020	575	115	1,213	1,903
2021	575	113	1,194	1,882
2022 to 2026	4,800	527	5,541	10,868
2027 to 2031	11,250	480	4,298	16,028
2032 to 2036	14,100	200	2,106	16,406
2037 to 2041	6,035	17	183	6,235
Totals	$ 39,535	$ 1,810	$ 18,305	$ 59,650

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,075	$ 1,318,442	$ 2,828,017
Business Type Activities	5,545,857	60,799	466,203	$ 6,072,859
Total	$ 7,034,357	$ 81,874	$ 1,784,645	$ 8,900,876

Component Units

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2015, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2016	$ 46,395	$ 26,499	$ 72,894
2017	45,910	24,403	70,313
2018	43,880	22,267	66,147
2019	42,335	20,252	62,587
2020	37,850	18,297	56,147
2021 to 2025	172,520	67,016	239,536
2026 to 2030	117,430	35,211	152,641
2031 to 2035	72,795	13,272	86,067
2036 to 2040	10,835	2,473	13,308
2041 to 2045	4,795	481	5,276
Total Future Payments	$ 594,745	$ 230,171	$ 824,916

The original principal amount for the outstanding bonds was $1,058.4 million. Total interest paid during 2015 was $30.9 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2008A, 2009A, 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2015, it had $9.3 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2016, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2017	$ 825	$ 3,178	$ 4,003
2018	1,075	3,138	4,213
2019	1,250	3,090	4,340
2020	1,300	3,038	4,338
2021	1,350	2,981	4,331
2022 to 2026	7,395	13,817	21,212
2027 to 2031	8,870	11,425	20,295
2032 to 2036	10,820	8,292	19,112
2037 to 2041	13,285	4,376	17,661
2042 to 2043	7,595	378	7,973
Total Future Payments	$ 53,765	$ 53,713	$ 107,478

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2015-16:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,054	$ 9,315	$ (2,972)	$ 9,397	$ 9,307
Accrued Compensated Absences	162,002	16,118	(12,088)	166,032	11,522
Claims and Judgments Payable	347,467	1,554	(26,668)	322,353	46,343
Capital Lease Obligations	172,329	20,236	(41,900)	150,665	28,261
Bonds Payable	289,789	-	(161,864)	127,925	126,100
Certificates of Participation	1,227,828	19,528	(42,184)	1,205,172	43,645
Notes, Anticipation Warrants, Mortgages	15,250	45	(2,090)	13,205	2,090
Net Pension Liability	5,565,526	729,478	-	6,295,004	-
Other Long-Term Liabilities	423,809	262,862	(271,003)	415,668	-
Total Governmental Activities Long-Term Liabilities	8,207,054	1,059,136	(560,769)	8,705,421	267,268
Business-Type Activities					
Deposits Held In Custody For Others	43,739	42,420	(43,739)	42,420	42,400
Accrued Compensated Absences	289,560	52,128	(25,562)	316,126	22,761
Claims and Judgments Payable	41,460	3,846	(5,649)	39,657	-
Capital Lease Obligations	54,281	12,789	(9,944)	57,126	9,132
Derivative Instrument Liabilities	9,515	3,937	(230)	13,222	-
Bonds Payable	4,242,726	475,269	(397,400)	4,320,595	243,304
Certificates of Participation	399,231	1,557	(28,127)	372,661	21,755
Notes, Anticipation Warrants, Mortgages	28,317	26,913	(1,261)	53,969	2,075
Net Pension Liability	3,579,748	377,325	-	3,957,073	-
Other Postemployment Benefits	241,779	47,354	-	289,133	-
Other Long-Term Liabilities	85,182	1,676	(56,658)	30,200	-
Total Business-Type Activities Long-Term Liabilities	9,015,538	1,045,214	(568,570)	9,492,182	341,427
Fiduciary Activities					
Deposits Held In Custody For Others	464,415	348,618	(429,588)	383,445	322,612
Accrued Compensated Absences	62	-	(24)	38	-
Other Long-Term Liabilities	671	713	(671)	713	-
Total Fiduciary Activities Long-Term Liabilities	465,148	349,331	(430,283)	384,196	322,612
Total Primary Government Long-Term Liabilities	$ 17,687,740	$ 2,453,681	$ (1,559,622)	$ 18,581,799	$ 931,307

The beginning balance was restated to include $43.7 million in business-type activities in deposits held in custody. Previously no long term deposits held in custody were recorded in business-type activities; however at June 30, 2016, the Parks and Outdoor Recreation Cash Fund at the Department of Natural Resources recorded $20,000 of long term deposits held in custody.

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 18 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 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

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

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

At June 30, 2016, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $415.7 million shown for governmental activities primarily comprises:

- $242.3 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $150.3 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $3.1 million of unclaimed property liabilities estimated to be due to claimants.

The $30.2 million (including $1.6 million Due to Component Units) shown for business-type activities primarily comprises $28.5 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($7.8 million and $18.5 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 720,385	$ 23,775	$ (149,415)	$ 594,745	$ 46,395
Other Long-Term Liabilities	$ 193,859	$ 113,653	$ (98,527)	$ 208,985	$ 152,948

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water and Water Pollution Control Funds, accounting for $23.3 million of the $30.9 million total. Other long-term liabilities of the Water Operations Fund were $7.6 million. Forty-seven percent of total, other long-term liabilities ($14.4 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

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

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2016, the foundation held $37.5 million of split interest agreement investments with $16.9 million of related liabilities and reported $7.3 million of net beneficial interest in charitable trusts held by others.

At June 30, 2016, the University of Colorado Foundation held $342.0 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2016, the Colorado State University Foundation held $13.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2015, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust, charitable gift annuity contracts and pooled income assets of $15.8 million; related liabilities of $9.4 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units*.

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $9.4 million mentioned above and total $4.6 million. At June 30, 2016, CSMF reported $31.9 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2015-16, debt was defeased in both governmental and business-type activities.

At June 30, 2016, 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	$ 133,435
Business-Type Activities:	
University of Colorado	519,380
Colorado State University	274,315
Colorado School of Mines	31,160
Western State College	9,225
Colorado Mesa University	28,445
Adams State College	16,415
Fort Lewis College	36,425
Total	$ 1,048,800

The Board of Regents of the University of Colorado issued $156,810,000 of its Tax-Exempt University Enterprise Refunding Revenue Bonds, Series 2016B-1 to partially defease its 2011A Enterprise Revenue Bonds. The defeased debt had an interest rate of 5.07 percent, and the new debt had an interest rate of 2.84 percent. The remaining term of the debt was 25 years and the estimated debt service cash flows decreased by $17,989,915. The defeasance resulted in an economic gain of $13,445,062 and book loss of $15,802,343 that will be amortized as an adjustment of interest expense over the remaining 25 years of the new debt.

The Board of Trustees of the Colorado School of Mines issued $21,600,000 of its Institutional Enterprise Revenue and Refunding Bonds, Series 2016 to partially defease its 2009A Enterprise Refunding and Improvement Revenue Bonds and 2009C Institutional Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 3.00 to 5.00 percent, and the new debt had an interest rate of 2.00 to 5.00 percent. The remaining term of the debt was 9.5 years and the estimated debt service cash flows decreased by $2,672,310. The defeasance resulted in an economic gain of $2,222,094 and book loss of $2,503,746 that will be amortized as an adjustment of interest expense of the reaming 9.2 years of the new debt.

The State Board for Community Colleges and Occupation Education issued $2,925,000 of its Systemwide Revenue Bonds, Series 2016 to defease its 2003 Systemwide Revenue Bonds. The defeased debt had an interest rate of 3.375 to 4.125 percent, and the new debt had an interest rate of 1.5 to 4.0 percent. The remaining term of the debt was 15 years and the net present value of savings was approximately $370,910. The defeasance resulted in an economic gain of $452,421 and a book loss of $9,337.

The Board of Directors of the Auraria Higher Education Center issued $5,845,000 of its Auraria Parking Enterprise Revenue Refunding Bonds, Series 2016 to partially defease its 2006 Auraria Parking Enterprise Revenue Refunding Bonds. The defeased debt had an interest rate of 4.366 percent, and the new debt had an interest rate of 1.8 percent. The remaining term of the debt was 10 years and the estimated debt service cash flows decreased by $835,419. The defeasance resulted in an economic gain of $762,556 and a book loss of $293,338 that will be amortized as an adjustment of interest expense over the remaining 10 years of the new debt.

The Board of Directors of the Auraria Higher Education Center issued $7,415,000 of its Auraria Student Fee Revenue Refunding Bonds, Series 2016 to partially defease its 2006 Auraria Student Fee Revenue Refunding Bonds. The defeased debt had an interest rate of 4.077 percent, and the new debt had an interest rate of 1.4 percent. The remaining term of the debt was 5 years and estimated debt service cash flows decreased by $452,363. The defeasance resulted in an economic gain of $435,332 and a book loss of $196,770 that will be amortized as an adjustment of interest expense over the remaining 5 years of the new debt.

The Board of Trustees of Fort Lewis College issued $11,250,399 of its Enterprise Revenue Refunding Bonds, Series 2016A to partially defease its 2007A Dorm Revenue Bonds. The defeased debt had an interest rate of 4.71 percent, and the new debt had an interest rate of 2.55 percent. The remaining term of the debt was 18 years and estimated debt service cash flows decreased by $1,474,650. The defeasance resulted in an economic gain of $1,225,192 and a book loss of $937,119 that will be amortized as an adjustment of interest expense over the remaining 18 years of the new debt.

The Board of Trustees of Fort Lewis College issued $28,122,534 of its Enterprise Revenue Refunding Bonds, Series 2016B to partially defease its 2007B1 Student Union Center Revenue Bonds. The defeased debt had an interest rate of 4.87 percent, and the new debt had an interest rate of 3.03 percent. The remaining term of the debt was 23 years and estimated debt service cash flows decreased by $3,967,154. The defeasance resulted in an economic gain of $3,460,827 and a book loss of $2,482,061 that will be amortized as an adjustment of interest expense over the remaining 23 years of the new debt.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net 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, 2016 was $154.9 million ($5 million of which was a current liability). Superfund sites account for approximately $154.5 million ($4.2 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $57 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.3 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2016, the State has received $5.0 million in recoveries from other responsible parties.
- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $64.8 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2018. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $5.5 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological 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.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $18.1 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plant from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS 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, 2016.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivative Instruments	-	6,104
Refunding Losses	4,115	171,995
Pensions	814,646	471,754
	818,761	**649,853**
Deferred Inflow of Resouces		
Nonexchange Transactions	339	595
Refunding Gains	-	897
Timing Differences	(90)	4
Service Concession Arrangements	-	142,361
Pensions	133,126	106,201
	133,375	**250,058**

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflows $6.1 million as of June 30, 2016.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $39.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.31 percent at June 30, 2016. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2016 was $13.2 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2016, Morgan Stanley's credit rating is A3 by Moody's and BBB+ by Standards & Poor's.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2016, deferred outflows in governmental activities related to unamortized refunding losses included $2.0 million in the Department of Transportation and $2.0 million in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. TIMING DIFFERENCES

Deferred Inflows are recorded for unavailable revenue resulting from timing differences that are primarily related to long-term taxes receivables. The majority of the deferred inflow balance is recognized as revenue over time in the government-wide Statement of Activities.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2016, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.6 million in receipts awaiting the passage of time.

E. SERVICE CONCESSION ARRANGEMENTS

Service Concession Arrangements are arrangements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Deferred inflows totaling approximately $142 million were related to Service Concession Arrangements at the High Performance Transportation Enterprise. Refer to Note 40 for additional information on Service Concession Arrangements.

F. PENSIONS

Primary Government

Additional information on the components of deferred inflows and deferred outflows for pensions can be found in Note 18.

Component Unit

The Colorado Water Resources and Power Development Authority reported $3.7 million of deferred outflows of resources and $0.4 million of deferred inflows of resources.

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

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

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

Business-Type activities decreased by $5,309,091 in the Higher Education Institutions Fund, when the Western State Colorado University failed to record a Fiscal Year 2010 sale of the University Center.

Governmental activities increased by $58,146,934. This is comprised of an increase of $50,239,579 in the General Fund when the Department of Public Safety corrected an overstatement of expenditures in prior years related to the Disaster Recovery grant, an increase of $13,899,334 due to TABOR liability classification errors, and a decrease of $5,991,979 when the Department of Health Care Policy and Financing recorded an outstanding disallowance from a 2000 to 2006 agreement with Denver Health and Hospital Authority.

Although not reflected as a change in Governmental activities, the Information Technology Internal Service Fund was decreased by $15,294,135 and the Financial and Human Resources Information Technology Systems Fund was increased by $15,294,135 when legislation created a new Fund within the Department of Personnel and Administration to manage the State's Financial and Human Resources Systems. This activity was transferred from the Governor's Office of Information Technology.

	Government-Wide Statements		Major Governmental Fund	Major Proprietary Fund		Major Fiduciary Fund
Subject	Governmental Activities	Business-Type Activities	General Fund	Higher Education Institutions	Internal Service Funds	Private Trust Fund
Western State University Correction		(5,309,091)		(5,309,091)		
Medicaid Claim Disallowance	(5,991,979)		(5,991,979)			
Disaster Recovery Correction	50,239,579		50,239,579			
TABOR Corrections	13,899,334		13,899,334			
Information Technology Fund Reclass	(15,294,135)				(15,294,135)	
Financial & Human Resources Information Technology Systems Reclass	15,294,135				15,294,135	
Multistate Lottery Winners Adjustment						(11,842,743)
.	58,146,934	(5,309,091)	58,146,934	(5,309,091)	-	(11,842,743)

Based on analysis performed and with the adoption of GASB No. 72, fiduciary activities decreased by $11,842,743 with the removal of assets and liabilities related to the Powerball Annuity Winners Trust Fund previously reported as a Private Trust Fund of the State of Colorado, Division of the Lottery. Due to the nature of the Multi-State Lottery Association Grand Prize Trust Agreement for the State of Colorado, the State of Colorado does not have a fiduciary responsibility for the assets and liabilities of the Trust as they are reported as U.S. Government Securities Held for Grand Prize Annuities on the Multi-State Lottery Association's financial statements.

B. ACCOUNTING CHANGES

Component Unit

The Colorado Water Resources and Power Development Authority implemented GASB Statements Nos. 68 and 71 which are accounting and financial reporting requirements related to employee pension benefits. The implementation was for the Authority's fiscal year ended December 31, 2015 which is the fiscal year of the Authority included in this report. This implementation resulted in a decrease to beginning net position of $3,025,963.

NOTE 30 – FUND BALANCE

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

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$139,099	$ 380,587	$ 19,283
Business, Community and Consumer Affairs	-	41,452	-
Education	358,383	12,829	-
Health and Rehabilitation	-	21,733	-
Justice	332	7,964	-
Natural Resources	-	2,702	-
Social Assistance	-	46,719	-
TOTAL	$497,814	$ 513,986	$ 19,283
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ -	$ -
Business, Community and Consumer Affairs	-	262,114	-
Education	-	7,466	-
Natural Resources	-	920,946	-
TOTAL	$ 66,000	$ 1,190,526	$ -
HIGHWAY USERS TAX:			
General Government	$ 59,293	$ 25,737	$ -
Health and Rehabilitation	3,778	-	-
Justice	920	3,573	-
Transportation	911,010	16,968	-
TOTAL	$975,001	$ 46,278	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 375,064	$ -
Education	-	4,922	-
Health and Rehabilitation	-	1,030	-
Justice	5	4,554	-
Natural Resources	-	142	-
Social Assistance	-	445	-
TOTAL	$ 5	$ 386,157	$ -
STATE EDUCATION:			
Education	$304,326	$ -	$ -
TOTAL	$304,326	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$162,085	$ 389,326	$ -
Business, Community and Consumer Affairs	47,080	306,178	-
Education	-	89,832	-
Health and Rehabilitation	20,596	114,908	-
Justice	-	185,096	-
Natural Resources	6,666	-	-
Social Assistance	860	108,809	-
TOTAL	$237,287	$ 1,194,149	$ -

The significant fund balances held for restricted purposes as of June 30, 2016, include:

- $139.1 million in the General Fund in the General Government function represents $68.3 million in the Controlled Maintenance Trust Fund, $56.8 million in the General Fund for severance tax refunds and $14.0 million in the School Capital Construction Assistance Fund.
- $358.4 million in the General Fund in the Education function includes $357.0 million related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $911.0 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $304.3 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $162.1 million in the Other Governmental Funds in the General Government function includes $83.0 for the TABOR emergency reserve recorded in the Major Medical Fund, $68.1 million of investments recorded in Building Excellent Schools Today Fund and $11.0 million recorded in the Tobacco Tax Fund.

The significant fund balances held for committed purposes as of June 30, 2016, include:

- $380.6 million in the General Fund in the General Government function includes $329.7 million of the $386.5 million that represents the portion of the $466.0 million representing the 5.6 percent statutory reserve available on a GAAP basis (see Note 6I).
- $262.1 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $254.1 million – $56.9 million from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments and $197.2 from severance tax receipts by the Department of Local Affairs.
- $920.9 million in the Resource Extraction Fund in the Natural Resources function includes $467.4 million that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board and $403.5 million represents cash and long term severance tax loans receivables.
- $375.1 million in the Capital Projects funds in the General Government function represents cash and receivables related to appropriated multi-year capital projects.
- $389.3 million in the Other Governmental Funds in the General Government function primarily represents $220.5 million in the Unclaimed Property Funds and $78.0 million in Tobacco Litigation Settlement Funds.
- $306.2 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $84.4 million in the Major Medical Fund, $51.0 million in the Limited Gaming Fund, $21.0 million in the Workmen's Compensation Fund, $22.8 million in the Clean and Renewable Energy Fund, and $25.6 million in the Employment Support Fund.
- $114.9 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $28.0 million in the Natural Resources Damage Recovery Fund, $15.6 million in the Small Communities Water and Wastewater Grant Fund, $11.2 million from the Hazardous Substances Response Fund, and $5.1 million the Natural Disaster Cash Fund.
- The $185.1 million in Other Governmental Funds in the Justice function primarily represents $9.7 million in the Disaster Emergency Fund in the Department of Public Safety, $14.7 million in the Supreme Court Committee Fund, $10.4 million in the Victims Assistance Fund, and $11.4 million in the Victims Compensation Fund.
- The $108.8 million in Other Governmental Funds in the Social Assistance function primarily represents $37.0 million in the Adult Dental Fund, $32.0 million in the Children’s Basic Health Plan Trust Fund, $6.0 million in the State Veterans Trust Fund, and $5.2 million in the Colorado Autism Treatment Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(1)(d), the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as five and six-tenths percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2015-16 there was no use of the reserve. As of June 30, 2016, on a legal budgetary basis the reserve was $466.0 million. On a GAAP basis only $386.5 million was available for the reserve (see Note 6I).

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

NOTE 32 – MINIMUM FUND BALANCE POLICIES

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

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board (OAB) has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2015-16, the maximum amount that could be kept in reserve was $68 million although the OAB lowered the target reserve to $5 million for that year. The reserve acts as a buffer to minimize the need for mid-year fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2016, were:

.

DUE FROM OTHER FUNDS (amounts in thousands)	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ 35,778	$ 96	$ 29	$ -
Resource Extraction	1,134	-	-	60
Highway Users	-	-	-	953
Capital Projects	780	-	-	-
Higher Education Institutions	14,016	565	444	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	-	-	-	-
Tobacco Impact Mitigation	23	-	-	-
Environment and Health Protection	-	-	-	-
Other Special Revenue	18	3,250	123	-
PERMANENT FUNDS:				
State Lands Trust Nonexpendable	-	-	-	-
OTHER GOVERNMENTAL FUNDS SUBTOTAL	41	3,250	123	-
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
Correctional Industries	35	-	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	35	-	-	-
INTERNAL SERVICE FUNDS:				
Information Technology	12,262	-	16	182
Legal Services	83	-	19	-
INTERNAL SERVICE FUNDS SUBTOTAL	12,345	-	35	182
FIDUCIARY FUNDS:				
Pension and Benefit Trust	48	-	3	-
Treasury Agency Funds	-	-	-	-
TOTAL	$ 64,177	$ 3,911	$ 634	$ 1,195

DUE TO OTHER FUNDS (amounts in thousands)

Higher Education Institutions	Unemploy-ment Insurance	State Lottery	All Other Funds	Total
$ 753	$ 481	$ 20,836	30,715	$ 88,688
-	-	-	17,705	18,899
-	-	-	4,080	5,033
-	-	-	6	786
-	-	-	782	15,807
-	-	-	531	531
-	-	-	98	121
3	-	-	22	25
-	-	-	7,664	11,055
-	-	-	11	11
3	-	-	8,326	11,743
-	-	3,192	137	3,329
1,123	-	-	-	1,158
1,123	-	3,192	137	4,487
-	133	-	1,795	14,388
-	-	-	9	111
-	133	-	1,804	14,499
919	-	-	38	1,008
-	-	7,887	-	7,887
$ 2,798	$ 614	$ 31,915	$ 63,593	$ 168,837

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

The General Fund receivable of $30.7 million from All Other Funds is primarily comprised of $15.5 million in payables from the Limited Gaming Fund and $10.4 million in payables from the State Lands Trust School Fund.

The General Fund receivable of $35.8 million within the General Fund primarily includes $35.6 million in personal services and operating line item reversions payable from the General Purpose Revenue Fund to the State Employee Reserve Fund.

The General Fund receivable of $20.8 million from the State Lottery Fund primarily consists of a payable recorded by the Conservation Trust Fund for $12.8 million, and to the Building Excellent Schools Today Grant Program for approximately $8.0 million.

The Resource Extraction Fund receivable of $17.7 million from All Other Funds primarily includes $17.4 million of loans from the Division of Parks and Wildlife Fund.

The Information Technology Internal Service Fund receivable of $12.3 million consists of transfers from the General Fund to the Information Technology Revolving Fund for reversions and various projects.

The Higher Education Institution Funds receivable of $14.0 million from the General Fund primarily consists of transfers between the Department of Higher Education and various Institutions of Higher Education.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2016, were as follows:

TRANSFER-OUT FUND (amounts in thousands)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 3,573,665	4,192	$ 199,309
Resource Extraction	45,293	20	-
Highway Users Tax	3,797	-	3,539
Capital Projects	130	-	1,431
State Education	8,020	-	-
Higher Education Institutions	4,852	-	-
Lottery	65,499	-	434
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	430	276	-
Gaming	15,759	-	-
Tobacco Impact Mitigation	3,153	-	-
Resource Management	204	-	-
Environment and Health Protection	11,708	-	-
Unclaimed Property	8,173	-	-
Other Special Revenue	71,228	-	-
PERMANENT FUNDS:			
State Lands Trust	87,050	-	-
Other Permanent Trust	-	-	-
OTHER GOVERNMENTAL FUNDS SUBTOTAL	197,705	276	-
ENTERPRISE FUNDS:			
Wildlife	4,880	-	-
College Assist	82	-	-
State Fair	106	-	-
Correctional Industries	865	-	-
State Nursing Homes	1,695	-	-
Prison Canteens	86	-	-
Other Enterprise	537	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	8,251	-	-
INTERNAL SERVICE FUNDS:			
Central Services	740	-	-
Financial Information Technology	50	-	-
Information Technology	379	-	-
Capitol Complex	1,415	-	-
Administrative Courts	138	-	-
Legal Services	2,913	-	-
Other Internal Service	345	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	5,980	-	-
FIDUCIARY FUNDS:			
Pension and Benefit Trust	172	-	-
Private Purpose Trust	86	-	-
TOTAL	$ 3,913,450	$ 4,488	$ 204,713

TRANSFER-IN FUND (amounts in thousands)

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 275,861	$ 25,321	$ 208,689	$ 147,153	$ 4,434,190
-	-	15,544	10,187	71,044
3,175	-	-	171,192	181,703
13,866	-	163,941	6,441	185,809
-	294	7,644	33,999	49,957
-	-	2,999	-	7,851
-	-	-	14,357	80,290
-	-	-	4,613	5,319
1,515	-	6,923	11,627	35,824
7,046	-	12,428	1,741	24,368
-	-	-	-	204
-	-	-	730	12,438
-	-	-	64,568	72,741
34	-	-	19,924	91,186
-	-	748	6,834	94,632
-	-	-	179	179
8,595	-	20,099	110,216	336,891
-	-	-	21,073	25,953
-	-	-	-	82
-	-	-	-	106
-	-	-	-	865
-	-	-	1,092	2,787
-	-	-	-	86
40	-	-	-	577
40	-	-	22,165	30,456
-	-	-	596	1,336
-	-	-	-	50
-	-	-	-	379
-	-	-	358	1,773
-	-	-	-	138
-	-	-	73	2,986
-	-	-	-	345
-	-	-	1,027	7,007
-	-	-	7,027	7,199
-	-	-	-	86
$ 301,537	$ 25,615	$ 418,916	$ 523,764	$ 5,392,483

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Fund. These include $3,307.1 million from the General Purpose Revenue Fund to the State Public School Fund (both within the General Fund), $275.9 million to the Capital Projects funds (for controlled maintenance and capital projects), and $208.7 million to the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

Additional transfers-out from the General Fund include $199.3 million to the Highway Users Tax Fund and $94.1 million from the Public School Fund to the Charter School Institute Fund (both within the General Fund). In addition, $25.3 million was transferred to the State Education Fund, and $11.0 million was transferred to the Debt Service Fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the General Fund includes a $41.6 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to the Higher Education Fund include $12.0 million from the Federal Mineral Leasing Revenues Fund to the Lease-Purchase Cash Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.9 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation. Miscellaneous transfers out totaling $1.3 million make up the rest of the balance.

The Capital Projects transfers-out include $163.9 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions.

The State Education Fund transfers-out includes $34.0 million to the Early Literacy Fund in All Other Funds.

The Lottery transfer-out to the General Fund primarily comprises $57.4 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $14.4 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out include distributions of limited gaming revenues of $15.5 to the General Fund and $7.5 million to the Creative Industries Cash Fund and the Advance Industries Acceleration Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund includes transfers-out to Higher Education Funds of $12.4 million from the Tobacco Litigation Settlement Moneys Health Education Fund.

The Unclaimed Property transfers-out include a transfer of $63.9 million to the Adult Dental Fund in the Department of Health Care Policy and Financing in All Other Funds.

The Other Special Revenue transfers-out to the General Fund include $40.0 million from the Retail Marijuana Excise Tax Fund to the Public School Capital Construction Assistance Fund (a special purpose fund in the General Fund); $5.3 million to support programs in the Department of Public Safety; $5.7 million to support programs in the Department of Human Services; and $10.2 million for federal and indirect cost allocations. Additionally, the transfers-out to All Other Funds includes transfers of $11.8 million from the Justice Center Cash Fund to the Debt Service Fund for payment on the outstanding certificates of participation related to the Ralph L. Carr Justice Center.

The State Lands Trust transfer-out to the General Fund includes $86.8 million to the Public School Capital Construction Assistance Fund.

NOTE 35 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Net donor restricted endowment appreciation totaled $14.1 million, which includes depreciation of investment value for some institutions of higher education.

The University of Colorado reported net appreciation on endowment investments of $13.4 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

NOTE 36 – PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2015-16, the following pledges were in place:

The Department of Transportation pledged $128.8 million (net) of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 8.2 percent of the total revenue stream, and $128.8 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $106.8 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 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $625.2 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $125.0 million (gross) of Unemployment Insurance (UI) Premium collections to secure $127.3 million of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $127.3 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2054-55. 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 $1.6 billion. Individually significant Higher Education Institution pledges include:

- $1.1 billion (net) pledged by the University of Colorado to secure $127.8 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 2015-16 and has a final maturity date of Fiscal Year 2046-47. The pledged revenue represents approximately 75.5 percent of the revenue stream, and $2.4 billion of the pledge (principal and interest) remains outstanding.
- $242.2 million (gross) pledged by Colorado State University to secure $59.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2054-55. The pledged revenue represents 100 percent of the total revenue stream, and $1.8 billion of the pledge (principal and interest) remains outstanding.
- $57.1 million pledged by the Colorado School of Mines to secure $14.5 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 55.4 percent of the net total student fee and auxiliary revenue streams and 100 percent of the gross tuition and facilities fee revenues. $204.3 million of the pledge (principal and interest) remains outstanding.
- $29.7 million (gross) pledged by Metropolitan State University of Denver to secure $6.0 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and $158.1 million of the pledge (principal and interest) remains outstanding.
- $25.1 million (net) pledged by Colorado Mesa University to secure $12.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents approximately 56.0 percent of the revenue stream and $358.0 million of the pledge (principal and interest) remains outstanding.
- $31.6 million pledged by the University of Northern Colorado to secure $9.8 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 2007-08 and furthest maturity date of Fiscal Year 2039-40. The pledged revenue represents 35.4 percent of the net total auxiliary and student fee revenue streams and also represents 100 percent of gross tuition revenues. $200.1 million of the pledge (principal and interest) remains outstanding.

- $16.7 million (gross) pledged by Colorado State University – Pueblo to secure $5.3 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $165.8 million of the pledge (principal and interest) remains outstanding.
- $8.8 million (net) pledged by the Fort Lewis College to secure $3.4 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The debt issuances had an earliest origination date of Fiscal Year 2007-08 and furthest maturity date of Fiscal Year 2037-38. The pledged revenue represents 38.5 percent of the revenue stream, and $73.6 million of the pledge (principal and interest) remains outstanding.
- $8.3 million (net) pledged by the Western State Colorado University to secure $6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2008-09 and furthest maturity date of Fiscal Year 2044-45. The pledged revenue represents 39.7 percent of the revenue stream, and $182.3 million of the pledge (principal and interest) remains outstanding.

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

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements Principal	Interest	Total
Department of Transportation	$ 1,566,285	$ (1,437,505)	$ 128,780	$ 126,100	$ 2,680	$ 128,780
Higher Education Institutions	1,984,082	(455,553)	1,528,529	103,957	157,999	261,955
Labor - Unemployment Insurance	124,965	-	124,965	124,965	2,312	127,277
Statewide Bridge Enterprise	106,810	-	106,810	-	18,234	18,234
	$ 3,782,142	$ (1,893,058)	$ 1,889,084	$ 355,022	$ 181,225	$ 536,246

NOTE 37 – SEGMENT INFORMATION

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

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

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

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

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2016

	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
(DOLLARS IN THOUSANDS)	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 225,289	$ 5,725	$ 8,554
Other Assets	219,883	4,732	363
Capital Assets	43,082	46,009	20,908
Total Assets	488,254	56,466	29,825
DEFERRED OUTFLOW OF RESOURCES	-	(635)	(110)
LIABILITIES:			
Current Liabilities	51,668	2,819	4,317
Noncurrent Liabilities	8,893	40,073	24,766
Total Liabilities	60,561	42,892	29,083
DEFERRED INFLOW OF RESOURCES	-	76	90
NET POSITION:			
Net Investment in Capital Assets	32,881	3,909	1,622
Restricted for Permanent Endowments:			
Restricted Net Position	-	4,311	4,856
Unrestricted	394,812	4,643	(5,936)
Total Net Position	$ 427,693	$ 12,863	$ 542

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,426
Sales of Goods and Services	753,978	9,789	17,353
Other	-	-	55
Total Operating Revenues	753,978	9,789	22,834
OPERATING EXPENSES:			
Depreciation	4,466	2,463	2,017
Other	695,012	7,326	18,497
Total Operating Expenses	699,478	9,789	20,514
OPERATING INCOME	54,500	-	2,320
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	11,365	388	28
Gifts and Donations	(15,899)	-	-
Other Nonoperating Revenues	99	-	-
Debt Service	(253)	(1,795)	(833)
Other Nonoperating Expenses	-	-	(7,610)
Total Nonoperating Revenues(Expenses)	(4,688)	(1,407)	(8,415)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	1,407	1,570
Total Contributions, Transfers, and Other	-	1,407	1,570
CHANGE IN NET POSITION	49,812	-	(4,525)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	377,881	12,863	5,067
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 427,693	$ 12,863	$ 542

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 47,587	$ 4,864	$ 4,181
Noncapital Financing Activities	(15,899)	(1,407)	(1,217)
Capital and Related Financing Activities	(4,974)	(3,556)	(2,985)
Investing Activities	(41,028)	(206)	(33)
NET DECREASE IN CASH AND POOLED CASH	(14,314)	(305)	(54)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	98,891	5,715	5,235
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 84,577	$ 5,410	$ 5,181

NOTE 38 – COMPONENT UNITS

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

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The Authority incurred $7.9 million in expenses for the State during 2015 for two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to 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. During Fiscal Year 2015-16, the foundation distributed $106.2 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2015-16, the foundation transferred $47.6 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income. During Fiscal Year 2015-16 the foundation transferred, $21.6 million to the University.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide program, scholarship and other support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2015-16, the foundation transferred $10.6 million to the University. At June 30, 2016, the Foundation owed the University $0.6 million.

B. NONMAJOR COMPONENT UNITS

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

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

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I LP, originally thru June 2015 and extended to June 2017 (unless otherwise terminated), for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agri-technology and medical device industries, and retail. As of December 31, 2015, the VCA has contributed approximately $21.8 million or 100 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2015, the VCA has contributed approximately $22.7 million or 89 percent of its total funding commitment to Colorado Fund II, LP.

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

During the year ended June 30, 2016, net assets of $1.7 million were transferred to the University of Colorado, the University of Colorado Foundation and the University of Colorado Property Corporation, Inc. (CUPCO, blended within the University) from the University of Colorado Real Estate Foundation (CUREF). Since June 30, 2016, CUREF continues to transfer assets, liabilities and other obligations to the University and the affiliated parties, with all transfers and the dissolution of CUREF anticipated to be completed by June 30, 2017. The increase in the level of financial burden/benefit to the University affected the component unit determination for CUREF. CUREF was added as a discretely presented nonmajor component unit for the fiscal year ended June 30, 2016 which resulted in a $6.1 million decrease to beginning net position for component units.

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2015-16, under these contracts, UCHealth paid the University $92.5 million and the University paid UCHealth $12.9 million. Not included in these amounts are $0.6 million in reimbursements during the fiscal year made by UCHealth to the University for salaries and benefits of state classified employees who work at UCHealth, and for whom the University is responsible. At June 30, 2016 the University had accounts receivable from UCHealth for $7.4 million, and had no accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, UCHealth and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2015-16 the Trust paid medical claims on behalf of the University of $169.0 million. The University contributed $174.5 million to the Trust and its employees contributed $22.5 million. At June 30, 2016 the University had accounts receivable from the Trust for $8,000 and accounts payable to the Trust for $272,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $7.5 million in cash and $354,684 in in-kind assets to the University in Fiscal Year 2015-16. At June 30, 2016, the University had an account receivable from the Foundation for $550,438.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.4 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2015-16.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2015-16, the Foundation awarded $1.2 million in scholarship funds directly to students. Also in Fiscal Year 2015-16, the Colorado Mesa University Real Estate Foundation donated $3.4 million in property to the University. The University made operating transfers to the Foundation for $324,811 and transferred $3.4 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2015-16 the Foundation funded $927,873 for scholarships and passed through $2.8 million in grants for program support.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.7 million of funding to the University in Fiscal Year 2015-16. The foundation also reimbursed the University $268,771 for services provided by University employees and left un-reimbursed $307,950 of these services. At June 30, 2016, the Foundation owed the University $544,302.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $5.1 million to the University in Fiscal Year 2015-16.

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

In Fiscal Year 2015-16, the Arapahoe Community College Foundation transferred $563,037 in scholarships and grants to Arapahoe Community College.

The Community College of Aurora paid $1.6 million to the Community College of Aurora Foundation for the transfer of the Centretech Campus to the College. This amount was for the $1.8 million cost less the $200,000 the Foundation held as a maintenance reserve plus closing costs. In Fiscal Year 2015-16, the Foundation provided $459,246 to the College for grants and scholarships.

The Community College of Denver Foundation provided $538,919 to the Community College of Denver for scholarships and $183,585 in pass through grant funding and support for other activities.

The Lamar Community College Foundation transferred $427,911 to Lamar Community College to be used for spending on a capital construction project, and $198,029 for scholarships and other activities.

Pikes Peak Community College Foundation provided $832,236 to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support and grant funds. The College in turn provided $246,411 of operating support to the Foundation.

The Pueblo Community College Foundation provided Pueblo Community College $736,307 in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $969,190 to Red Rocks Community College. Of this amount, $389,518 was for scholarships and $295,298 was for the construction of the Arvada Health Professions and Science Building. The rest of the funds were for grants, special projects and support of operating expenses. The College provided $226,924 to the Foundation for operating expenses.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2015-16, the board funded $25.3 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2016, GOCO owed the Department of Natural Resources $16.5 million.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, is a related party to the State through the Department of Health Care Policy & Financing. During Fiscal Year 2015-16 the Colorado Health Benefit Exchange reimbursed the State $2.9 million for software programming and other information technology expenses.

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

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds two CHFA bonds with a face value of $4.9 million as of June 30, 2016. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Colorado Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. The outstanding loan balance at CHFA on June 30, 2016 was $5.8 million. In Fiscal Year 2015-16, the Energy Office paid CHFA $28,487 in administrative fees for this service.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624.8 million. Bond payments are funded by employers' unemployment insurance premiums. The bonds are special, limited obligations of the Authority, payable and secured by assets held in a trust estate which consists of pledged revenue and principal funded by the State's unemployment compensation fund. Pledged revenues in the trust consist, at least in part, of employer's unemployment insurance premiums. The bonds do not create a financial obligation of the Authority

beyond payment of principal and interest. As of June 30, 2016 $125.0 million of bonds was outstanding. The Department of Labor and Employment paid CHFA $62,000 in administration fees in Fiscal Year 2015-16 for this arrangement.

Component Units

The Colorado Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2015, VCA's investments in Colorado Fund I and Colorado Fund II totaled $23.4 million and $29.2 million respectively.

NOTE 40 – SERVICE CONCESSION ARRANGEMENTS

In February 2014, the High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). The purpose of this arrangement is to maximize infrastructure, improve safety, and better manage traffic through a partnership between public and private sectors. In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect tolls for both the 1-25 HOT lane and US-36 managed lanes and raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Plenary financed, designed, and constructed US-36 Phase I and Phase II tolled and managed lanes which were completed and placed into service on July 22, 2015 and March 31, 2016, respectively. As of June 30, 2016, HPTE totaled $259.3 million.

With the completion of Phase I, Plenary assumed the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. Plenary also assumed responsibility for maintaining the managed lanes.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of $27.9 million, $186.3 million and $1.2 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro, Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro, Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due, and HLC @ Metro, Inc. is obligated to repay all payments made on its behalf. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2016, no liability was recorded by the University as HLC @ Metro, Inc. was deemed fully capable of making its debt payments.

NOTE 43 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

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

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

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.1 billion, of the $8.3 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $104.2 million.

At June 30, 2016, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $197.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims in exceeding $5.0 million include four claims for refunds of $6.7 million to $40.6 million income taxes. The Department of Revenue will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.3 billion are outstanding. Of this amount, $1 billion is covered by private insurance.

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

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Department of Health Care Policy and Financing alleging that the hospital provider fee is a tax, not a fee; therefore, requiring a vote of the people. The plaintiff challenge the fee imposed in Fiscal Years 2011, 2012 and 2013, and seek a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $2.65 billion has been collected in fees. The Complaint was filed on June 26, 2015. The Colorado Department of Health Care Policy and Financing filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion is fully briefed and is pending before the district court. The Colorado Department of Health Care Policy and Financing will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

A suit was filed against the Colorado Department of Health Care Policy and Financing where the plaintiff seeks to expand the coverage of Direct Antiviral Acting (DAA) drugs for all Medicaid recipients with Hepatitis C, and to enjoin the Department from implementing any policy or protocol that denies access to DAA drugs to any Medicaid beneficiary who is infected with Hepatitis C. The Department of Health Care Policy and Financing will vigorously defend these claims. The Department estimates that it would cost $200 million in state funds to provide DAA drugs to all Medicaid recipients infected with Hepatitis C. The likelihood of an unfavorable outcome is uncertain.

The Centers for Medicare and Medicaid Services (CMS) conducted an onsite visit of the Pueblo Regional Center (PRC) and sent the Colorado's Department of Health Care Policy and Financing (HCPF) a report of its findings and requested a development of corrective action plan. CMS claimed that HCPF violated federal administrative requirements regarding administration of the Medicaid Home and Community Based Services waiver program for developmentally disabled for approximately 60 individuals. CMS alleged violations of federal rules that involve the provision of services to those individuals between November 1, 2014 and November 2015 and seeks disallowance of payments to HCPF for services provided at PRC. HCPF submitted its proposed corrective action plan on September 26, 2016, and expects ongoing discussion with CMS. HCPF intends to dispute portions of disallowed amounts along with some of the other sanctions. The likelihood of an unfavorable outcome is uncertain. There is a possibility that the losses could reach greater than $5 million.

The State of New Mexico filed suit against The State of Colorado claiming that Colorado contributed to mine waste disposal in the Upper Animas Mining District near Silverton, Colorado creating an imminent and substantial endangerment to the citizens and environment of Utah and New Mexico. Waste discharges also deposited contaminated sediments in Utah's San Juan River which may impact groundwater quality. Any judgment for damages would be covered by Risk Management. Utah and New Mexico seek injunctive relief to achieve "complete remediation of the contaminated rivers, the abatement and cessation of further releases from [the Upper Animas mining district], and the prevention of future catastrophes like the August 5, 2016 Gold King Mine blowout." Both New Mexico and the Navajo Nation have filed suit against the Environmental Protection Agency, its contractors, and others in federal district court in New Mexico. Colorado is not defendant in those lawsuits. Mediation efforts have been unsuccessful. The State will vigorously defend its interests, although, the likelihood of an unfavorable outcome is uncertain. No dollar amount has been stated against Colorado. Depending on whether other responsible parties contribute to the cleanup costs and natural resources damages costs, the State could incur in excess of $100 million.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State's estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the Court has not set a briefing schedule. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 43, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 44 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 8, 2016, the Auraria Higher Education Center issued of $1,720,903 from Series 2015 Student Fee Tax-Exempt Bonds to reimburse construction costs of the Tivoli Park/Quadrangle project. On August 31, 2016, the Auraria Higher Education Center drew down an additional $601,609 of the 2015A proceeds for the purpose of financing construction of the Tivoli Park/Quad, the Tivoli Patio and Coffee Lounge, and other future student gathering spaces throughout campus. The repayment of the bonds is funded by a $5 per student, per semester fee.

On July 21, 2016, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2016A. The notes were issued with a premium of $6,434,250, an average coupon rate of 3.09%, and a true interest cost of 0.59%. The notes mature on June 29, 2017. The total due on that date includes $275,000,000 in principal and $7,980,556 in interest. By statute, interest on the notes is payable from the General Fund.

On July 26, 2016, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2016A. The notes mature on June 27, 2017. The total due on that date includes $600,000,000 in principal and $11,952,778 in interest. The notes were issued with a premium of $8,603,000, an average coupon rate of 2.17%, and a true interest cost of 0.60%.

On September 29, 2016, the Western State Colorado University issued $26,995,000 Auxiliary Facilities Revenue Refunding Bonds, Series 2016, with an average interest rate of 3.69%. The proceeds of the issue were used to refund the Series 2009 Revenue Bonds and a portion of the Series 2010A Institutional Enterprise Revenue Bonds. The 2016 Refunding bonds begin to mature on May 15, 2017 in increasing amounts through May 15, 2039. The bonds are collateralized by a pledge of certain revenues of the auxiliary facilities system.

On November 9, 2016, University of Northern Colorado Board of Trustees issued $23,500,000 in fixed rate Institutional Enterprise Revenue Bonds, Series 2016, at a $4,100,000 premium for total proceeds of $27,600,000. The coupon rates of the bonds range from 3% - 5% with maturities of principal starting in 2020 and ending in 2046.

On December 20, 2016, the Board of Governors of the Colorado State University System issued Series 2016A and series 2016B Bonds. The 2016B Bonds were issued with a premium of $5,113,543. The Series 2016B Bonds mature on March 1, 2036 and includes $64,980,000 of principle and have an interest rate of 3% to 4%. The 2016A Bonds were issued with $5,235,000 of principal, and have an interest rate of 1.5% to 3.4%. The Series 2016A Bonds mature on March 1, 2025.

On December 29, 2016, the Colorado Department of Transportation issued $70,000,000 of Certificates of Participation series 2016, and was issued at a premium of $7,017,143 with interest from 3% to 5%. The certificate maturity date is June 15, 2036. The Certificated will be used for the headquarters facilities lease purchase agreement.

On January 12, 2017, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2016B. The notes were issued with a premium of $5,311,250, an average coupon rate of 3.93%, and a true interest cost of 0.88%. The notes mature on June 29, 2017. The total due on that date includes $375,000,000 in principal and $6,842,361 in interest. By statute, interest on the notes is payable from the General Fund.

B. OTHER

During the year ended June 30, 2016, net assets of $1.7 million were transferred to the University of Colorado, the University of Colorado Foundation and the University of Colorado Property Corporation, Inc. (CUPCO, blended within the University) from the University of Colorado Real Estate Foundation (CUREF). Since June 30, 2016, CUREF continues to transfer assets, liabilities and other obligations to the University and the affiliated parties, with all transfers and the dissolution of CUREF anticipated to be completed by June 30, 2017. Due to the increase in the level of financial burden/benefit to the University, CUREF is included as a discretely presented nonmajor Component Unit. As such, those transfers completed since July 1, 2016 are disclosed in the Component Unit section that follows.

In November 2016, College Assist renewed agreements with four collection agencies to collect on defaulted student loans for a one-year term. The agreements may be renewed for a one-year term if both parties agree.

On November 15, 2016, CSU announced a $53,300,000 gift from alumnus Walter Scott, Jr. In recognition of this gift, the engineering college will be officially named the Walter Scott, Jr. College of Engineering.

On November 18, 2016, the PERA Board of Trustees chose to modify the long-term inflation expectations to 2.4 percent from 2.8 percent and to reduce the long-term investment return assumption to 7.25 percent from 7.5 percent. The PERA Board also made several adjustments to the demographic assumptions including the adoption of new mortality tables to more accurately reflect the actual experience of the PERA membership. Longer life expediencies mean that PERA is paying benefits for a longer period of time. The changes in assumptions adopted by the Board will lengthen the time it will take to reach full funding.

In December 2016, College Assist entered into a one-year Rehabilitation Loan Agreement with Navient Credit Finance Corporation, to sell eligible rehabilitation loan at the 2.75% discount. This agreement may be renewed annually, if both parties agree.

On February 15, 2017, the University of Northern Colorado closed the sale of the University Apartments for an approximate of $7.1 million in cash, in exchange for the University apartment asset.

Component Units

On July 1, 2016, the Land Holding Venture, LLC (LHV LLC), with the University of Colorado Real Estate Foundation (CUREF) as sole member, transferred its ownership interest in various vacant land holdings and in a residential home to University of Colorado Property Corporation, Inc. (CUPCO) which were carried at $4.1 million as of June 30, 2016. On the same date, LHV transferred its interest in an option agreement to purchase vacant land to CUPCO carried at $15.7 million.

On July 1, 2016, CUREF assigned its single share in University of Colorado United Kingdom Foundation Limited (CU UK) to the University of Colorado Foundation. The net assets of CU UK of $1.0 million were consolidated into CUREF as of June 30, 2016.

On July 7, 2016, LHV LLC executed a binding commitment to sell real property to a third party for $1.2 million, subject to certain contingencies. LHV LLC transferred the same real property to CUPCO on July 13, 2016, subject to the purchase and sale commitment. The carrying value of this property was $0.6 million as of June 30, 2016.

On July 31, 2016, Partnership Holding Venture, LLC (PHV LLC), with CUREF as sole member, transferred its assets to the University of Colorado Foundation and Campus Village Apartments II (CVA II), with CUREF as sole member, transferred its assets to CUPCO. Both PHV LLC and CVA II were dissolved as of July 31, 2016.

On August 1, 2016, CUREF transferred its sole membership interest in 18th Avenue, LLC, to the University. 18th Avenue's net assets of $1.7 million were consolidated into CUREF as of June 30, 2016. In addition, 33rd Street, LLC, with CUREF as sole member, sold real property to the University, subject to existing leases, under terms of a purchase and sale agreement dated October 31, 2013, and amended July 26, 2016 where the two parties executed a binding commitment to sell real property on August 1, 2016 ("the closing date"), which was closed as scheduled.

On September 16, 2016, Campus Village Apartments (CVA), with CUREF as sole member, and the owner of an off-campus housing project, the plaintiff in litigation, mutually agreed to limit the monetary risks arising from the uncertainty of a pending appeal decision. The plaintiff, in the lower court case, challenged the policy of the University to require, according to the plaintiff, "with very few exceptions [that] all first-time domestic freshman and international students" at CU Denver live at CVA. A jury trial in 2015 returned a verdict in favor of the plaintiff and awarded damages. The agreement reached in September 2016 provides for payment to the plaintiff of $6.2 million to be made by CUREF on behalf of CVA if the appeals court finds in favor of the plaintiff. In the event the appeals court returns a decision reversing the verdict and vacating the judgment, CVA will have no further payment obligation. If the appeals court remands the case to the district court for rehearing, the plaintiff agrees to dismiss the original claims, as well as pending newer claims. If the appeals court affirms the district court's judgment, CVA agrees to pay the plaintiff an additional $0.1 million, and the plaintiff agrees to acknowledge that the judgment has been satisfied and will dismiss all claims.

On December 31, 2016, CUREF transferred all if its membership interests in CVA to CUPCO. The total assets of CVA at December 31, 2016 was $40,015,888, total liabilities were $54,500,096 of which $53,033,531 was tax exempt bond obligations (net of unamortized bond discount).

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,726,798	
Income Taxes			6,007,037	
Other Taxes			255,702	
Federal Grants and Contracts			10	
Sales and Services			425	
Interest Earnings			14,368	
Other Revenues			22,999	
Transfers-In			228,857	
TOTAL REVENUES AND TRANSFERS-IN			9,256,196	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,006	$ 10,006	9,952	$ 54
Corrections	780,620	763,813	757,809	6,004
Education	3,567,985	3,478,443	3,477,852	591
Governor	41,668	34,935	34,381	554
Health Care Policy and Financing	2,507,458	2,492,619	2,476,744	15,875
Higher Education	857,416	856,383	856,067	316
Human Services	814,405	821,778	812,014	9,764
Judicial Branch	481,075	480,761	478,097	2,664
Labor and Employment	8,009	7,587	7,518	69
Law	15,258	15,284	14,440	844
Legislative Branch	43,297	43,297	43,297	-
Local Affairs	20,470	20,405	20,217	188
Military and Veterans Affairs	8,285	8,295	7,819	476
Natural Resources	27,672	27,672	27,349	323
Personnel & Administration	11,712	10,926	10,831	95
Public Health and Environment	48,015	47,015	46,577	438
Public Safety	125,171	119,777	113,796	5,981
Regulatory Agencies	1,923	1,923	1,904	19
Revenue	74,122	74,261	73,997	264
Treasury	9,067	9,038	6,821	2,217
SUB-TOTAL OPERATING BUDGETS	9,453,634	9,324,218	9,277,482	46,736
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,974	827	1,147
Corrections	3,451	35,730	11,536	24,194
Education	7,600	10,940	1,364	9,576
Governor	11,389	45,946	9,924	36,022
Higher Education	65,226	290,701	159,200	131,501
Human Services	16,657	46,731	11,877	34,854
Military and Veterans Affairs	667	8,166	3,870	4,296
Personnel & Administration	11,654	20,724	10,638	10,086
Public Health and Environment	-	323	126	197
Public Safety	-	11,111	7,918	3,193
Revenue	-	93,838	10,411	83,427
Transportation	500	500	500	-
Treasury	-	13	-	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	117,144	566,697	228,191	338,506
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,570,778	$ 9,890,915	9,505,673	$ 385,242
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (249,477)	

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 31,562	
Income Taxes			522,600	
Other Taxes			85,259	
Tuition and Fees			696,203	
Sales and Services			1,298,518	
Interest Earnings			30,091	
Other Revenues			651,275	
Transfers-In			1,069,940	
Capital Contributions			1,908	
TOTAL REVENUES AND TRANSFERS-IN			4,387,356	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 30,447	$ 30,882	28,388	2,494
Corrections	71,139	68,255	56,762	11,493
Education	1,202,513	1,164,556	1,093,247	71,309
Governor	223,375	223,540	208,846	14,694
Health Care Policy and Financing	998,386	1,129,651	1,115,353	14,298
Higher Education	745,154	752,150	746,193	5,957
Human Services	232,274	212,267	168,349	43,918
Judicial Branch	148,277	147,723	124,668	23,055
Labor and Employment	70,516	67,364	58,588	8,776
Law	59,670	59,407	53,157	6,250
Legislative Branch	1,344	1,344	1,191	153
Local Affairs	14,908	14,879	13,245	1,634
Military and Veterans Affairs	2,081	2,081	1,789	292
Natural Resources	178,758	182,624	159,158	23,466
Personnel & Administration	115,571	123,711	109,063	14,648
Public Health and Environment	199,073	198,787	175,643	23,144
Public Safety	205,113	206,078	185,236	20,842
Regulatory Agencies	83,368	83,122	73,841	9,281
Revenue	189,455	188,821	118,343	70,478
State	21,570	21,570	20,397	1,173
Transportation	35,822	34,822	32,907	1,915
Treasury	14,754	14,754	14,378	376
SUB-TOTAL OPERATING BUDGETS	4,843,568	4,928,388	4,558,742	369,646
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	2,945	261	2,684
Corrections	660	1,322	-	1,322
Governor	(814)	19,706	1,119	18,587
Higher Education	39,276	174,507	14,378	160,129
Human Services	980	142	126	16
Judicial Branch	147	8,698	317	8,381
Labor and Employment	25,263	30,231	2,880	27,351
Natural Resources	11,157	30,457	8,510	21,947
Personnel & Administration	2,850	15,903	1,061	14,842
Public Health and Environment	192	26,864	4,352	22,512
Public Safety	1,145	6,060	3,067	2,993
Transportation	-	500	500	-
Treasury	-	237	-	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	80,856	317,572	36,571	281,001
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,924,424	$ 5,245,960	4,595,313	650,647
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (207,957)	

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 5,532,770	
TOTAL REVENUES AND TRANSFERS-IN			5,532,770	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Health Care Policy and Financing	$ 5,104,365	$ 5,171,553	5,088,440	$ 83,113
Human Services	424,825	449,494	411,478	38,016
Military and Veterans Affairs	-	970	583	387
Public Health and Environment	21,866	21,866	16,936	4,930
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,551,056	5,643,883	5,517,437	126,446
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,551,056	$ 5,643,883	5,517,437	$ 126,446
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 15,333	

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, 2016

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 9,050,853	$ -	$ -	$ 205,343
Cash	633,925	44,087	244,477	34,727
Federal	5,529,481	-	-	828
Sub-Total Revenues and Transfers-In Appropriated	15,214,259	44,087	244,477	240,898
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	892,585	-	-	-
Cash	3,898,150	458,773	2,093,225	78,412
Federal	2,462,132	101,526	842,408	7,050
Sub-Total Revenues and Transfers-In Non-Appropriated	7,252,867	560,299	2,935,633	85,462
Total Revenues and Transfers-In Appropriated and Non-Appropriated	22,467,126	604,386	3,180,110	326,360
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	9,277,481	-	-	228,192
Cash Funded	511,104	42,296	233,346	23,299
Federally Funded	5,515,433	-	-	828
Expenditures/Expenses and Transfers-Out Appropriated	15,304,018	42,296	233,346	252,319
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	920,628	-	-	-
Cash Funded	3,847,064	263,240	2,174,299	7,722
Federally Funded	2,510,448	101,562	731,982	7,165
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,278,140	364,802	2,906,281	14,887
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,582,158	407,098	3,139,627	267,206
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	(89,759)	1,791	11,131	(11,421)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	(25,273)	195,497	29,352	70,575
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	4,749	2,384	2,350	927
Increase/(Decrease) for GAAP Expenditures Not Budgeted	439,717	139,075	897,298	(10,500)
Increase/(Decrease) for GAAP Revenue Adjustments	(486,387)	(395,013)	(897,270)	(67)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(156,953)	(56,266)	42,861	49,514
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,175,388	1,367,206	988,560	336,680
Prior Period Adjustments (See Note 29A)	58,147	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,076,582	$ 1,310,940	$ 1,031,421	$ 386,194

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

		PROPRIETARY FUND TYPES						
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,256,196
554,434	1,597,762	722,322	13,821	434	207,436	331,144	2,787	4,387,356
-	1,289	-	-	-	1,172	-	-	5,532,770
554,434	1,599,051	722,322	13,821	434	208,608	331,144	2,787	19,176,322
-	-	-	-	-	-	-	-	892,585
-	1,601,243	2,350,855	611,193	596,657	408,707	43,072	1,584,881	13,725,168
-	211,812	186	24,148	-	408,478	-	-	4,057,740
-	1,813,055	2,351,041	635,341	596,657	817,185	43,072	1,584,881	18,675,493
554,434	3,412,106	3,073,363	649,162	597,091	1,025,793	374,216	1,587,668	37,851,815
-	-	-	-	-	-	-	-	9,505,673
902,038	1,574,732	736,316	10,070	40,958	195,340	323,212	2,602	4,595,313
-	2	-	-	-	1,174	-	-	5,517,437
902,038	1,574,734	736,316	10,070	40,958	196,514	323,212	2,602	19,618,423
-	-	-	-	-	-	-	-	920,628
34,025	1,371,255	2,290,391	493,018	143,570	194,810	42,631	1,327,149	12,189,174
-	175,877	15,908	24,146	-	400,054	-	-	3,967,142
34,025	1,547,132	2,306,299	517,164	143,570	594,864	42,631	1,327,149	17,076,944
936,063	3,121,866	3,042,615	527,234	184,528	791,378	365,843	1,329,751	36,695,367
(347,604)	24,317	(13,994)	3,751	(40,524)	12,094	7,932	185	(442,101)
(34,025)	265,923	44,742	118,177	453,087	222,321	441	257,732	1,598,549
(189)	29,272	-	2	208	1,837	107	434	42,081
-	622,355	18,926	(4,372)	(412,945)	(16,862)	(34,646)	1,998	1,640,044
-	(734,717)	411	10,130	(438)	(9,773)	(1,804)	(3,246)	(2,518,174)
-	-	102,356	-	-	-	-	-	102,356
(381,818)	207,150	152,441	127,688	(612)	209,617	(27,970)	257,103	422,755
686,258	2,292,698	2,874,814	622,258	(19,946)	1,020,702	(250,115)	6,528,769	17,623,272
-	-	(5,309)	-	-	-	-	(11,843)	40,995
$ 304,440	$ 2,499,848	$ 3,021,946	$ 749,946	$ (20,558)	$ 1,230,319	$ (278,085)	$ 6,774,029	$ 18,087,022

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $451.4 million of the GAAP General Fund balance of $1,076.6 million on the *Balance Sheet – Governmental Funds.*

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

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

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 84 for information regarding the Old Age Pension expenditure at the Department of Revenue.))*

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rollfowards" because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS

BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,999,700	$ 2,922,600	$ 2,893,838		
Other Excise Taxes	94,500	102,200	101,874		
Individual Income Tax, net	6,164,400	6,015,000	5,993,003		
Corporate Income Tax, net	692,300	599,900	606,441		
Estate Tax	-	-	-		
Insurance Tax	260,600	289,300	280,345		
Parimutuel, Courts, and Other	25,200	23,200	26,319		
Investment Income	17,000	9,400	12,440		
Gaming	-	-	15,464		
TOTAL GENERAL PURPOSE REVENUES	10,253,700	9,961,600	9,929,724		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,006	10,006	9,952	$ 54	$ 106
Corrections	780,620	763,813	757,832	5,981	-
Education	3,567,985	3,478,443	3,477,852	591	339
Governor	41,668	35,501	34,418	1,083	2,546
Health Care Policy and Financing	2,507,458	2,499,449	2,481,523	17,926	2,547
Higher Education	857,693	857,165	856,849	316	54
Human Services	814,405	830,292	820,528	9,764	8,341
Judicial Branch	481,075	480,761	478,097	2,664	87
Labor and Employment	8,009	8,287	7,754	533	665
Law	15,258	15,284	14,443	841	-
Legislative Branch	43,297	43,297	43,297	-	316
Local Affairs	24,721	26,918	25,463	1,455	56
Military and Veterans Affairs	8,285	8,295	7,901	394	-
Natural Resources	27,672	27,672	27,349	323	6
Personnel & Administration	11,712	10,926	10,831	95	1,101
Public Health and Environment	48,015	50,289	49,867	422	-
Public Safety	125,171	119,777	113,796	5,981	1,352
Regulatory Agencies	6,073	6,073	6,054	19	-
Revenue	165,641	275,791	274,138	1,653	198
State	-	-	-	-	55
Transportation	-	102	102	-	-
Treasury	141,910	141,881	139,665	2,216	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	9,686,674	9,690,022	9,637,711	$ 52,311	$ 17,769
Variance Between Actual and Estimated Budgets	21,206	(97,301)	-		
TOTAL ESTIMATED BUDGET	9,707,880	9,592,721	9,637,711		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	545,820	368,879	292,013		
EXCESS AUGMENTING REVENUES			17,769		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	16,400	24,300	13,094		
Transfers-Out To Various Cash Funds	(56,300)	(116,500)	(64,875)		
Transfer-Out to Capital Projects - General Fund	(309,200)	(270,700)	(270,630)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to Highway Users Fund	(205,100)	(199,200)	(199,200)		
Transfers-Out to the State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(580,000)	(587,900)	(547,432)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(34,180)	(219,021)	(237,650)		
BEGINNING GENERAL FUND SURPLUS	-	113,131	113,131		
Release of Prior Year Statutory Reserve (6.5%)	576,500	576,490	576,485		
Establish Current Year Statutory Reserve (5.6%)	(611,320)	(520,700)	(465,994)		
Release of Contractually Restricted Energy Performance Leases			1,267		
Contractually Restricted Energy Performance Leases			(332)		
GAAP Revenues/(Expenditures) Not Budgeted			(55,655)		
Release of Assigned Prior Year State Controller Approved Rollfowards			20,731		
State Controller Approved Rollfowards			(19,283)		
Release of Prior Year Proposition AA Refund Restricted Account		58,000	58,000		
Prior Period Adjustment (see Note 29)			58,147		
ENDING GENERAL FUND SURPLUS	$ (69,000)	$ 7,900	48,847		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2016-17 for Budget			(90,493)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2016-17 for Budget			(98,890)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2016-17 for Budget			(627)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			59,096		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			2,525		
NonSpendable			45,357		
Restricted			57,132		
Committed			329,652		
Assigned			19,283		
Shortfall in GAAP Basis Statutory Reserve			79,542		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 451,424		

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

With the implementation of a new financial system, Colorado Operations Resource Engine (CORE), in Fiscal Year 2014-15, the budget schedules are now 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 (see pages 161 to 163). These schedules are presented in the budgetary fund structure discussed below.

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

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- 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 40. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2015-16, the Department of Transportation capitalized project expenditures of $450.6 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act 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 explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A. Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 164) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 161 to 163) and how nonappropriated revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (pages 239 to 241) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense 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 statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments."

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

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

NOTE RSI-2 – THE STATE'S DEFINED BENEFIT PENSION PLAN

A. PROPORTIONATE SHARE OF PENSION LIBILITY AND CONTRIBUTIONS

Proportionate Share:

The State's defined benefit pension plan is administered by the Public Employees' Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State's (primary government's) proportionate share of the net pension liability for its retirement plan. The amounts presented for each Division for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Additionally, information is not available for fiscal years prior to 2014.

(Amounts In Thousands)

	2016		2015		2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$ 10,079,249	$ 172,828	$ 9,015,773	$ 129,500	$ 8,539,181	$ 102,756
State's covered-employee payroll	$ 2,717,027	$ 51,896	$ 2,530,865	$ 50,596	$ 2,476,598	$ 46,957
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	370.97%	333.03%	356.23%	255.95%	344.79%	218.83%
Plan fiduciary net position as a percentage of the total pension liability	127.82%	150.82%	148.98%	201.98%	156.94%	252.48%

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 as of each fiscal year ending June 30:

State Division
(Amounts In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	$ 593,526	$ 466,883	$ 399,955	$ 362,791	$ 272,068	$ 252,727	$ 287,394	$ 272,957	$ 236,155	$ 233,151
Contributions in relation to the contractually required contributions	(593,526)	(466,883)	(399,955)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)	(236,155)	(233,151)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	$ 3,303,501	2,607,999	2,503,941	2,405,633	2,526,097	2,345,730	2,712,631	2,582,169	2,233,019	N/A
Contributions as a percentage of covered-employee payroll	17.97%	17.90%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A

Judicial Division
(Amounts In Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	$ 8,043	$ 7,306	$ 6,259	$ 5,677	$ 4,258	$ 3,955	$ 4,498	$ 4,272	$ 3,696	$ 3,649
Contributions in relation to the contractually required contributions	(8,043)	(7,306)	(6,259)	(5,677)	(4,258)	(3,955)	(4,498)	(4,272)	(3,696)	(3,649)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered-employee payroll	$ 58,882	53,488	39,185	37,647	39,532	36,709	42,451	40,410	34,946	N/A
Contributions as a percentage of covered-employee payroll	13.66%	13.66%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%	N/A

B. SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Changes in assumptions are discussed in Note 18 on pages 111 and 112.

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 114 for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2015-16	7/1/2015	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
2014-15	7/1/2014	$ -	$ 523,409,000	$ 523,409,000	0.0%	$ 1,336,248,000	39.2%
Restated 2013-14	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,253,260,000	32.5%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
Colorado State University:							
RMPR							
2015-16	1/1/2016	$ 40,739,061	$ 39,842,947	$ (896,114)	102.2%	$ 325,054,595	-0.3%
2014-15	1/1/2015	$ 36,988,354	$ 36,252,781	$ (735,573)	102.0%	$ 305,287,641	-0.2%
2013-14[2]	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
RMPS							
2015-16	1/1/2016	$ 22,275,345	$ 45,646,475	$ 23,371,130	48.8%	N/A	N/A
2014-15	1/1/2015	$ 21,554,455	$ 51,483,575	$ 29,929,120	41.9%	N/A	N/A
2013-14[2]	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
URX							
2015-16	1/1/2016	$ 594,366	$ 2,285,901	$ 1,691,535	26.0%	N/A	N/A
2014-15	1/1/2015	$ 581,396	$ 2,749,825	$ 2,168,429	21.1%	N/A	N/A
2013-14[2]	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
LTD							
2015-16	1/1/2016	$ 7,926,531	$ 12,071,325	$ 4,144,794	65.7%	N/A	N/A
2014-15	1/1/2015	$ 7,506,099	$ 12,016,221	$ 4,510,122	62.5%	N/A	N/A
2013-14[2]	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A

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

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

Colorado State University's Statements of Net Positions and Statements of Changes in Plan Net Position, and Schedule of Employer Contributions are presented below.

Colorado State University
Post Employment Benefit Plan Statements
As of and for the Period Ended June 30, 2016

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 40,728,334	$ 22,269,479	$ 594,209	$ 7,924,444
Employee Receivables	-	-	-	-
Interest and Dividend Receivables	10,727	5,865	156	2,087
Liabilities:				
Accrued Payables	340	185	5	65
Total Net Position	$ 40,738,721	$ 22,275,159	$ 594,360	$ 7,926,466
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	$ 4,508,681	$ 1,967,812	$ 120,248	-
Contributions from Members	-	-	29,864	1,409,459
Net Investment Income from Interest and Dividends	81,591	48,675	1,352	16,908
Net Investment Income from Investment Expense	(3,758)	(2,246)	(62)	(780)
Deductions:				
Benefits & Refunds Paid to Members & Beneficiaries	775,077	1,266,180	$ 67,844	$ 921,777
Administrative Expense	60,762	27,176	70,587	83,382
Change in Net Position	$ 3,750,675	$ 720,885	$ 12,971	$ 420,428
Net Position - Fiscal Year Beginning	36,988,046	21,554,274	581,389	7,506,038
Net Position - Fiscal Year Ending	$ 40,738,721	$ 22,275,159	$ 594,360	$ 7,926,466
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contribution	$ 4,508,681	$ 1,967,812	$ 120,248	$ 1,190,005
Percent Contributed	100.0%	100.0%	100.0%	118.4%

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE

This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

SPECIAL PURPOSE REVENUE

The State Public School fund is a statutory fund that distributes substantially all of its 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, 2016

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOL	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 124,581	$ 3,797	$ 23,243	$ 121,193	$ 272,814
Taxes Receivable, net	1,435,618	-	-	-	1,435,618
Other Receivables, net	425,697	-	91	1,980	427,768
Due From Other Governments	395,193	2,242	-	47	397,482
Due From Other Funds	21,632	-	-	67,056	88,688
Due From Component Units	347	-	-	-	347
Inventories	7,522	-	-	-	7,522
Prepaids, Advances and Deposits	37,947	-	140	2	38,089
Restricted Assets:					
Restricted Cash and Pooled Cash	4	4,313	-	423,544	427,861
Restricted Receivables	-	-	-	56,851	56,851
Investments	8,205	-	-	13,971	22,176
TOTAL ASSETS	$ 2,456,746	$ 10,352	$ 23,474	$ 684,644	$ 3,175,216
LIABILITIES:					
Tax Refunds Payable	$ 792,926	$ -	$ -	$ 56,800	$ 849,726
Accounts Payable and Accrued Liabilities	749,844	1	1,169	10,040	761,054
TABOR Refund Liability (Note 8B)	31,358	-	-	-	31,358
Due To Other Governments	105,081	-	-	23,400	128,481
Due To Other Funds	63,365	-	808	4	64,177
Unearned Revenue	26,319	-	5	23	26,347
Compensated Absences Payable	2	-	-	25	27
Claims and Judgments Payable	248	-	-	-	248
Other Current Liabilities	17,904	-	-	-	17,904
Deposits Held In Custody For Others	2	-	-	-	2
TOTAL LIABILITIES	1,787,049	1	1,982	90,292	1,879,324
DEFERRED INFLOW OF RESOURCES:	218,273	1,037	-	-	219,310
FUND BALANCES:					
Nonspendable:					
Inventories	7,522	-	-	-	7,522
Prepaids	37,835	-	140	2	37,977
Restricted	57,132	-	-	440,682	497,814
Committed	329,652	9,314	21,352	153,668	513,986
Assigned	19,283	-	-	-	19,283
TOTAL FUND BALANCES	451,424	9,314	21,492	594,352	1,076,582
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,456,746	$ 10,352	$ 23,474	$ 684,644	$ 3,175,216

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2016

		SPECIAL PURPOSE FUNDS			
(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 5,993,003	$ -	$ -	$ -	$ 5,993,003
Corporate Income	606,441	-	-	-	606,441
Sales and Use	2,893,838	-	-	-	2,893,838
Excise	101,874	-	-	-	101,874
Other Taxes	280,974	-	-	-	280,974
Licenses, Permits, and Fines	18,622	-	13	1,966	20,601
Charges for Goods and Services	17,181	-	55,832	255	73,268
Rents	221	-	-	2	223
Investment Income (Loss)	19,556	36	330	6,602	26,524
Federal Grants and Contracts	7,886,167	-	-	5,974	7,892,141
Other	155,089	3,127	220	17,489	175,925
TOTAL REVENUES	17,972,966	3,163	56,395	32,288	18,064,812
EXPENDITURES:					
Current:					
General Government	163,480	-	55,802	2,894	222,176
Business, Community, and Consumer Affairs	156,939	-	-	6,804	163,743
Education	773,681	3,529	-	3,028	780,238
Health and Rehabilitation	1,648,721	-	-	1,212	1,649,933
Justice	1,404,732	-	-	59	1,404,791
Natural Resources	36,745	-	-	1,584	38,329
Social Assistance	7,736,944	-	-	15,173	7,752,117
Capital Outlay	23,627	-	-	55,884	79,511
Intergovernmental:					
Cities	27,403	-	-	39,312	66,715
Counties	1,284,246	-	-	13,640	1,297,886
School Districts	714,219	3,262,751	-	130,442	4,107,412
Special Districts	48,390	-	-	16,796	65,186
Federal	2,298	-	-	-	2,298
Other	25,015	-	-	641	25,656
Debt Service	14,504	-	-	44,250	58,754
TOTAL EXPENDITURES	14,060,944	3,266,280	55,802	331,719	17,714,745
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,912,022	(3,263,117)	593	(299,431)	350,067
OTHER FINANCING SOURCES (USES):					
Transfers-In	141,773	3,369,692	-	401,985	3,913,450
Transfers-Out	(4,314,268)	(100,589)	(1,569)	(17,764)	(4,434,190)
Sale of Capital Assets	(15)	-	-	10,279	10,264
Insurance Recoveries	116	-	3,339	-	3,455
Bond/COP Refunding Proceeds	1	-	-	-	1
TOTAL OTHER FINANCING SOURCES (USES)	(4,172,393)	3,269,103	1,770	394,500	(507,020)
NET CHANGE IN FUND BALANCES	(260,371)	5,986	2,363	95,069	(156,953)
FUND BALANCE, FISCAL YEAR BEGINNING	653,648	3,328	19,129	499,283	1,175,388
Prior Period Adjustment (See Note 29A)	58,147	-	-	-	58,147
FUND BALANCE, FISCAL YEAR END	$ 451,424	$ 9,314	$ 21,492	$ 594,352	$ 1,076,582

CAPITAL PROJECTS FUND 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, 2016

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 304,934	$ 84,721	$ 389,655
Other Receivables, net	164	-	164
Due From Other Governments	1,741	-	1,741
Due From Other Funds	6	780	786
Prepaids, Advances and Deposits	34	-	34
Investments	1,120	3,170	4,290
Other Long-Term Assets	49	-	49
TOTAL ASSETS	$ 308,048	$ 88,671	$ 396,719
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 9,278	$ 46	$ 9,324
Due To Other Funds	1,173	22	1,195
Unearned Revenue	6	-	6
TOTAL LIABILITIES	10,457	68	10,525
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Prepaids	32	-	32
Restricted	-	5	5
Committed	297,559	88,598	386,157
TOTAL FUND BALANCES	297,591	88,603	386,194
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 308,048	$ 88,671	$ 396,719

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Other Taxes	$ 1,543	$ -	$ 1,543
Licenses, Permits, and Fines	3	-	3
Investment Income (Loss)	3,955	68	4,023
Federal Grants and Contracts	1,724	6,154	7,878
Other	175	-	175
TOTAL REVENUES	7,400	6,222	13,622
EXPENDITURES:			
Current:			
General Government	21,009	-	21,009
Business, Community, and Consumer Affairs	1,583	-	1,583
Education	2,243	119	2,362
Health and Rehabilitation	39	154	193
Justice	4,975	107	5,082
Social Assistance	7	-	7
Transportation	-	-	-
Capital Outlay	53,376	3,889	57,265
Debt Service	4,396	-	4,396
TOTAL EXPENDITURES	87,628	4,269	91,897
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,228)	1,953	(78,275)
OTHER FINANCING SOURCES (USES):			
Transfers-In	220,205	81,332	301,537
Transfers-Out	(179,125)	(6,684)	(185,809)
Face Amount of Bond/COP Issuance	11,000	-	11,000
Bond/COP Premium/Discount	314	-	314
Insurance Recoveries	92	655	747
TOTAL OTHER FINANCING SOURCES (USES)	52,486	75,303	127,789
NET CHANGE IN FUND BALANCES	(27,742)	77,256	49,514
FUND BALANCE, FISCAL YEAR BEGINNING	325,333	11,347	336,680
FUND BALANCE, FISCAL YEAR END	$ 297,591	$ 88,603	$ 386,194

OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,182,074	$ -	$ -	$ 1,182,074
Taxes Receivable, net	36,428	-	-	36,428
Other Receivables, net	105,676	-	8,682	114,358
Due From Other Governments	37,652	341	22	38,015
Due From Other Funds	11,732	-	11	11,743
Inventories	299	-	-	299
Prepaids, Advances and Deposits	5,351	-	3	5,354
Restricted Assets:				
Restricted Cash and Pooled Cash	75,273	218	247,144	322,635
Restricted Investments	22,249	-	710,413	732,662
Investments	125,357	67,546	-	192,903
Other Long-Term Assets	18,607	-	5,687	24,294
Land and Nondepreciable Capital Assets	81	-	69,079	69,160
Depreciable Capital Assets for Investment	-	-	33,055	33,055
TOTAL ASSETS	$ 1,620,779	$ 68,105	$ 1,074,096	$ 2,762,980
LIABILITIES:				
Tax Refunds Payable	$ 1,490	$ -	$ -	$ 1,490
Accounts Payable and Accrued Liabilities	126,224	-	4,555	130,779
Due To Other Governments	27,731	-	11	27,742
Due To Other Funds	25,072	-	10,649	35,721
Unearned Revenue	54,116	-	5,304	59,420
Compensated Absences Payable	6	-	-	6
Claims and Judgments Payable	140	-	-	140
Other Current Liabilities	6,879	-	-	6,879
Deposits Held In Custody For Others	88	-	-	88
TOTAL LIABILITIES	241,746	-	20,519	262,265
DEFERRED INFLOW OF RESOURCES:	399	-	468	867
FUND BALANCES:				
Reserved for:				
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	18,960	-	181	19,141
Inventories	298	-	-	298
Permanent Fund Principal	-	-	1,043,619	1,043,619
Prepaids	5,351	-	3	5,354
Restricted	169,182	68,105	-	237,287
Committed	1,184,843	-	9,306	1,194,149
TOTAL FUND BALANCES	1,378,634	68,105	1,053,109	2,499,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,620,779	$ 68,105	$ 1,074,096	$ 2,762,980

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Sales and Use	$ 45,223	$ -	$ -	$ 45,223
Excise	188,980	-	-	188,980
Other Taxes	158,600	-	-	158,600
Licenses, Permits, and Fines	408,709	-	-	408,709
Charges for Goods and Services	930,275	-	45	930,320
Rents	4,589	-	134,617	139,206
Investment Income (Loss)	22,703	554	44,628	67,885
Federal Grants and Contracts	203,409	-	136	203,545
Additions to Permanent Funds	-	-	80	80
Unclaimed Property Receipts	65,110	-	-	65,110
Other	37,619	-	13	37,632
TOTAL REVENUES	2,065,217	554	179,519	2,245,290
EXPENDITURES:				
Current:				
General Government	22,575	-	558	23,133
Business, Community, and Consumer Affairs	294,148	-	-	294,148
Education	25,101	-	-	25,101
Health and Rehabilitation	121,771	-	-	121,771
Justice	207,441	-	-	207,441
Natural Resources	2,346	-	14,785	17,131
Social Assistance	972,766	-	-	972,766
Transportation	3,035	-	-	3,035
Capital Outlay	7,047	-	1,524	8,571
Intergovernmental:				
Cities	64,676	-	-	64,676
Counties	101,646	-	24	101,670
School Districts	43,843	-	-	43,843
Special Districts	12,418	-	-	12,418
Federal	380	-	-	380
Other	49,796	-	-	49,796
Debt Service	1,490	215,472	-	216,962
TOTAL EXPENDITURES	1,930,479	215,472	16,891	2,162,842
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	134,738	(214,918)	162,628	82,448
OTHER FINANCING SOURCES (USES):				
Transfers-In	229,526	226,489	9,105	465,120
Transfers-Out	(242,080)	-	(94,811)	(336,891)
Sale of Capital Assets	-	-	(3,527)	(3,527)
TOTAL OTHER FINANCING SOURCES (USES)	(12,554)	226,489	(89,233)	124,702
NET CHANGE IN FUND BALANCES	122,184	11,571	73,395	207,150
FUND BALANCE, FISCAL YEAR BEGINNING	1,256,450	56,534	979,714	2,292,698
FUND BALANCE, FISCAL YEAR END	$ 1,378,634	$ 68,105	$ 1,053,109	$ 2,499,848

SPECIAL REVENUE FUNDS

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas 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 231 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 234 for a detail listing of these funds that have net position/fund balance in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:			
Cash and Pooled Cash	$ 90,927	$ 141,478	$ 130,719
Taxes Receivable, net	11,500	11,530	11,087
Other Receivables, net	11,903	118	44,480
Due From Other Governments	18,751	141	1,068
Due From Other Funds	531	-	121
Inventories	-	-	-
Prepaids, Advances and Deposits	108	41	-
Restricted Assets:			
Restricted Cash and Pooled Cash	60,751	14,522	-
Restricted Investments	22,249	-	-
Investments	1,234	-	-
Other Long-Term Assets	-	5,395	-
Land and Nondepreciable Capital Assets	-	-	-
TOTAL ASSETS	$ 217,954	$ 173,225	$ 187,475
LIABILITIES:			
Tax Refunds Payable	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	11,774	7,574	29,926
Due To Other Governments	-	20,564	194
Due To Other Funds	290	23,030	167
Unearned Revenue	-	1,503	-
Compensated Absences Payable	-	-	-
Claims and Judgments Payable	112	-	-
Other Current Liabilities	4,036	-	-
Deposits Held In Custody For Others	-	6	-
TOTAL LIABILITIES	16,212	52,677	30,287
DEFERRED INFLOW OF RESOURCES:	-	-	111
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	-	-
Inventories	-	-	-
Prepaids	108	41	-
Restricted	83,000	18,583	26,068
Committed	118,634	101,924	131,009
TOTAL FUND BALANCES	201,742	120,548	157,077
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 217,954	$ 173,225	$ 187,475

RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 14,170	$ 142,036	$ 98,476	$ 564,268	$ 1,182,074
-	-	-	2,311	36,428
2	40,096	969	8,108	105,676
-	4,832	-	12,860	37,652
-	25	-	11,055	11,732
-	299	-	-	299
-	80	19	5,103	5,351
-	-	-	-	75,273
-	-	-	-	22,249
-	-	124,123	-	125,357
-	-	-	13,212	18,607
-	-	-	81	81
$ 14,172	$ 187,368	$ 223,587	$ 616,998	$ 1,620,779
$ -	$ -	$ -	$ 1,490	$ 1,490
395	32,484	248	43,823	126,224
339	(2)	-	6,636	27,731
-	141	8	1,436	25,072
-	4,043	-	48,570	54,116
-	-	-	6	6
-	-	-	28	140
-	171	-	2,672	6,879
-	-	-	82	88
734	36,837	256	104,743	241,746
-	-	-	288	399
-	-	-	18,960	18,960
-	298	-	-	298
-	80	19	5,103	5,351
6,666	6,368	-	28,497	169,182
6,772	143,785	223,312	459,407	1,184,843
13,438	150,531	223,331	511,967	1,378,634
$ 14,172	$ 187,368	$ 223,587	$ 616,998	$ 1,620,779

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:			
Sales and Use	$ -	$ -	$ -
Excise	-	-	143,727
Other Taxes	39,803	116,288	-
Licenses, Permits, and Fines	415	933	91,825
Charges for Goods and Services	200	283	1,124
Rents	-	-	-
Investment Income (Loss)	1,747	1,869	1,513
Federal Grants and Contracts	18,890	137	(7,537)
Unclaimed Property Receipts	-	-	-
Other	9,927	2,260	899
TOTAL REVENUES	70,982	121,770	231,551
EXPENDITURES:			
Current:			
General Government	996	-	-
Business, Community, and Consumer Affairs	44,796	33,928	-
Education	-	14,150	1,371
Health and Rehabilitation	-	12	39,321
Justice	33,163	-	945
Natural Resources	-	-	-
Social Assistance	-	-	96,593
Transportation	-	-	-
Capital Outlay	78	207	-
Intergovernmental:			
Cities	(491)	16,961	1,252
Counties	3,328	18,016	24,290
School Districts	4	165	36,522
Special Districts	(100)	234	1,894
Federal	9	-	-
Other	7,498	813	7,601
Debt Service	-	-	-
TOTAL EXPENDITURES	89,281	84,486	209,789
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,299)	37,284	21,762
OTHER FINANCING SOURCES (USES):			
Transfers-In	5,043	1,700	34,204
Transfers-Out	(5,319)	(35,824)	(24,368)
TOTAL OTHER FINANCING SOURCES (USES)	(276)	(34,124)	9,836
NET CHANGE IN FUND BALANCES	(18,575)	3,160	31,598
FUND BALANCE, FISCAL YEAR BEGINNING	220,317	117,388	125,479
FUND BALANCE, FISCAL YEAR END	$ 201,742	$ 120,548	$ 157,077

RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ 45,223	$ 45,223
-	-	-	45,253	188,980
-	-	-	2,509	158,600
66	43,596	-	271,874	408,709
1,494	876,039	1	51,134	930,275
-	-	-	4,589	4,589
183	1,940	9,875	5,576	22,703
-	31,569	-	160,350	203,409
-	-	65,110	-	65,110
497	3,625	6	20,405	37,619
2,240	956,769	74,992	606,913	2,065,217
-	349	2,598	18,632	22,575
72	1,519	769	213,064	294,148
-	-	-	9,580	25,101
-	63,488	-	18,950	121,771
-	29,757	-	143,576	207,441
2,346	-	-	-	2,346
-	846,965	-	29,208	972,766
-	232	-	2,803	3,035
33	1,814	40	4,875	7,047
58	13,568	-	33,328	64,676
1,019	8,614	-	46,379	101,646
-	899	-	6,253	43,843
478	4,752	-	5,160	12,418
-	110	98	163	380
-	1,135	-	32,749	49,796
-	-	157	1,333	1,490
4,006	973,202	3,662	566,053	1,930,479
(1,766)	(16,433)	71,330	40,860	134,738
835	5,976	-	181,768	229,526
(204)	(12,438)	(72,741)	(91,186)	(242,080)
631	(6,462)	(72,741)	90,582	(12,554)
(1,135)	(22,895)	(1,411)	131,442	122,184
14,573	173,426	224,742	380,525	1,256,450
$ 13,438	$ 150,531	$ 223,331	$ 511,967	$ 1,378,634

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, 2016

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 8,682	$ -	$ 8,682
Due From Other Governments	-	22	22
Due From Other Funds	11	-	11
Prepaids, Advances and Deposits	3	-	3
Restricted Assets:			
Restricted Cash and Pooled Cash	237,858	9,286	247,144
Restricted Investments	710,413	-	710,413
Other Long-Term Assets	5,687	-	5,687
Land and Nondepreciable Capital Assets	69,079	-	69,079
Capital Assets Held as Investments	33,055	-	33,055
TOTAL ASSETS	$ 1,064,788	$ 9,308	$ 1,074,096
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 4,553	$ 2	$ 4,555
Due To Other Governments	11	-	11
Due To Other Funds	10,649	-	10,649
Unearned Revenue	5,304	-	5,304
TOTAL LIABILITIES	20,517	2	20,519
DEFERRED INFLOW OF RESOURCES:	468	-	468
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	181	-	181
Permanent Fund Principal	1,043,619	-	1,043,619
Prepaids	3	-	3
Committed	-	9,306	9,306
TOTAL FUND BALANCES	1,043,803	9,306	1,053,109
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,064,788	$ 9,308	$ 1,074,096

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 45	$ -	$ 45
Rents	133,409	1,208	134,617
Investment Income (Loss)	44,522	106	44,628
Federal Grants and Contracts	-	136	136
Additions to Permanent Funds	80	-	80
Other	6	7	13
TOTAL REVENUES	178,062	1,457	179,519
EXPENDITURES:			
Current:			
General Government	556	2	558
Natural Resources	14,783	2	14,785
Capital Outlay	1,524	-	1,524
Intergovernmental:			
Counties	24	-	24
TOTAL EXPENDITURES	16,887	4	16,891
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	161,175	1,453	162,628
OTHER FINANCING SOURCES (USES):			
Transfers-In	9,105	-	9,105
Transfers-Out	(94,632)	(179)	(94,811)
Sale of Capital Assets	(3,527)	-	(3,527)
TOTAL OTHER FINANCING SOURCES (USES)	(89,054)	(179)	(89,233)
NET CHANGE IN FUND BALANCES	72,121	1,274	73,395
FUND BALANCE, FISCAL YEAR BEGINNING	971,682	8,032	979,714
FUND BALANCE, FISCAL YEAR END	$ 1,043,803	$ 9,306	$ 1,053,109

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.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities 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, 2016

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
ASSETS:				
Cash and Pooled Cash	$ 76,562	$ 77,990	$ (1,163)	$ 4,786
Investments	-	-	-	-
Student and Other Receivables, net	20,353	243	30	1,935
Due From Other Governments	6,297	1,259	-	793
Due From Other Funds	3,329	-	-	1,158
Inventories	948	-	-	12,988
Prepaids, Advances and Deposits	5,814	13	87	-
Total Current Assets	113,303	79,505	(1,046)	21,660
Noncurrent Assets:				
Restricted Cash and Pooled Cash	40,508	31,686	-	-
Restricted Receivables	-	40,009	-	-
Investments	-	-	-	-
Other Long-Term Assets	-	-	-	1,832
Depreciable Capital Assets and Infrastructure, net	158,865	299	11,663	4,023
Land and Nondepreciable Capital Assets	377,879	-	1,512	925
Total Noncurrent Assets	577,252	71,994	13,175	6,780
TOTAL ASSETS	690,555	151,499	12,129	28,440
DEFERRED OUTFLOW OF RESOURCES:	28,095	452	759	3,956
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	14,954	2,336	(784)	6,577
Due To Other Governments	-	37,847	-	-
Due To Other Funds	780	-	993	-
Unearned Revenue	45,078	-	469	116
Compensated Absences Payable	467	-	14	82
Leases Payable	-	-	85	-
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	45	763	8	-
Total Current Liabilities	61,324	40,946	785	6,775
Noncurrent Liabilities:				
Due to Other Funds	17,022	-	-	-
Deposits Held In Custody For Others	20	-	-	-
Accrued Compensated Absences	6,790	98	62	1,152
Capital Lease Payable	-	-	1,063	-
Notes, Bonds, and COPs Payable	-	-	-	-
Net Pension Liability	237,213	4,105	6,932	33,024
Total Noncurrent Liabilities	261,045	4,203	8,057	34,176
TOTAL LIABILITIES	322,369	45,149	8,842	40,951
DEFERRED INFLOW OF RESOURCES:	6,750	1,184	541	713
NET POSITION:				
Net investment in Capital Assets:	536,743	299	12,027	4,948
Restricted for:				
Debt Service	-	-	-	-
Emergencies	34,000	-	-	-
Other Purposes	65,961	35,248	-	-
Unrestricted	(247,173)	70,071	(8,522)	(14,216)
TOTAL NET POSITION	$ 389,531	$ 105,618	$ 3,505	$ (9,268)

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 17,798	$ 5,391	$ 2,391	$ 257,884	$ 40,135	$ 481,774
563	-	-	-	104	667
2,278	-	4,436	9,444	843	39,562
5,298	-	-	11,277	499	25,423
-	-	-	-	-	4,487
195	718	-	-	153	15,002
66	-	-	14	224	6,218
26,198	6,109	6,827	278,619	41,958	573,133
-	-	-	74	106	72,374
-	-	-	-	-	40,009
-	-	-	18,301	14,700	33,001
-	-	-	-	-	1,832
33,458	1,564	17	766,887	11,413	988,189
5,299	-	-	197,864	4,143	587,622
38,757	1,564	17	983,126	30,362	1,723,027
64,955	7,673	6,844	1,261,745	72,320	2,296,160
12,809	701	1,218	2,501	4,537	55,028
4,427	537	4,481	12,351	9,667	54,546
749	-	-	-	-	38,596
34	-	-	-	-	1,807
17	-	-	4,097	129	49,906
184	-	29	8	373	1,157
366	-	-	-	-	451
510	-	-	-	485	995
(94)	-	15	-	-	737
6,193	537	4,525	16,456	10,654	148,195
-	-	-	4,000	-	21,022
-	-	-	-	-	20
1,779	216	615	19	751	11,482
2,749	-	-	-	-	3,812
523	-	-	348,630	2,800	351,953
89,978	6,789	8,763	14,455	23,047	424,306
95,029	7,005	9,378	367,104	26,598	812,595
101,222	7,542	13,903	383,560	37,252	960,790
5,133	623	588	143,522	1,025	160,079
34,597	1,564	17	664,751	12,271	1,267,217
-	-	-	18,259	-	18,259
-	-	-	-	-	34,000
-	-	-	-	-	101,209
(63,188)	(1,355)	(6,446)	54,154	26,309	(190,366)
$ (28,591)	$ 209	$ (6,429)	$ 737,164	$ 38,580	$ 1,230,319

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
OPERATING REVENUES:				
License and Permits	$ 111,833	$ -	$ -	$ -
Tuition and Fees	5	-	-	-
Sales of Goods and Services	4,124	-	6,602	47,700
Investment Income (Loss)	-	9,341	-	-
Rental Income	-	-	687	-
Federal Grants and Contracts	29,570	337,293	-	2,510
Intergovernmental Revenue	25,627	-	-	-
Other	4,520	8	-	249
TOTAL OPERATING REVENUES	175,679	346,642	7,289	50,459
OPERATING EXPENSES:				
Salaries and Fringe Benefits	103,539	35,177	4,654	15,385
Operating and Travel	81,778	273,146	4,428	11,521
Cost of Goods Sold	288	-	-	27,363
Depreciation and Amortization	11,379	121	751	448
Intergovernmental Distributions	6,038	-	-	-
Debt Service	-	12,223	-	-
Prizes and Awards	13	-	1,048	-
TOTAL OPERATING EXPENSES	203,035	320,667	10,881	54,717
OPERATING INCOME (LOSS)	(27,356)	25,975	(3,592)	(4,258)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	354	-	-	-
Investment Income (Loss)	1,470	-	1,129	59
Rental Income	10,791	-	-	323
Gifts and Donations	838	-	300	5
Gain/(Loss) on Sale or Impairment of Capital Assets	(68)	-	-	-
Insurance Recoveries from Prior Year Impairments	(187)	-	-	-
Debt Service	(4)	-	(44)	-
Other Expenses	-	-	-	-
Other Revenues	6	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	13,200	-	1,385	387
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(14,156)	25,975	(2,207)	(3,871)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	-	880	-
Transfers-In	42,192	-	1,308	-
Transfers-Out	(25,953)	(82)	(106)	(865)
TOTAL CONTRIBUTIONS AND TRANSFERS	16,239	(82)	2,082	(865)
CHANGE IN NET POSITION	2,083	25,893	(125)	(4,736)
NET POSITION - FISCAL YEAR BEGINNING	387,448	79,725	3,630	(4,532)
NET POSITION - FISCAL YEAR ENDING	$ 389,531	$ 105,618	$ 3,505	$ (9,268)

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ 514	$ -	$ 7,790	120,137
-	-	-	-	1,681	1,686
26,709	17,906	19	106,883	2,979	212,922
-	-	-	-	991	10,332
-	-	-	-	1,337	2,024
26,940	-	-	12,164	1,174	409,651
230	-	-	149,040	-	174,897
71	767	-	2,737	497	8,849
53,950	18,673	533	270,824	16,449	940,498
39,991	2,199	12,813	7,747	9,935	231,440
10,038	1,622	30,322	20,591	8,858	442,304
-	13,845	-	-	146	41,642
2,008	110	170	11,119	893	26,999
4,716	-	1	648	-	11,403
-	-	-	-	-	12,223
-	2	-	-	1	1,064
56,753	17,778	43,306	40,105	19,833	767,075
(2,803)	895	(42,773)	230,719	(3,384)	173,423
-	-	39,401	-	-	39,401
-	-	-	1	25	380
245	87	34	3,387	52	6,463
15	-	-	-	-	11,129
10	-	-	-	174	1,327
(7)	-	-	(27,932)	(2)	(28,009)
-	-	-	-	-	(187)
(167)	-	-	(9,809)	(376)	(10,400)
(3)	-	-	(306)	-	(309)
-	-	-	-	-	6
93	87	39,435	(34,659)	(127)	19,801
(2,710)	982	(3,338)	196,060	(3,511)	193,224
-	-	-	-	-	880
2,086	-	-	-	383	45,969
(2,787)	(86)	-	-	(577)	(30,456)
(701)	(86)	-	-	(194)	16,393
(3,411)	896	(3,338)	196,060	(3,705)	209,617
(25,180)	(687)	(3,091)	541,104	42,285	1,020,702
$ (28,591)	$ 209	$ (6,429)	$ 737,164	$ 38,580	$ 1,230,319

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 5	$ -	$ -
Fees for Service	114,703	-	4,808
Receipts for Interfund Services	3	-	-
Sales of Products	2,342	-	313
Gifts, Grants, and Contracts	31,306	345,561	-
Loan and Note Repayments	-	-	-
Income from Property	10,791	-	687
Other Sources	36,672	-	2,011
Cash Payments to or for:			
Employees	(95,385)	(35,195)	(4,551)
Suppliers	(50,520)	(6,829)	(4,244)
Payments for Interfund Services	(3,275)	(53)	(1,320)
Sales Commissions and Lottery Prizes	(7,168)	-	-
Others for Student Loans and Loan Losses	-	(280,887)	-
Other Governments	(6,038)	-	-
Other	(9,365)	-	(1,119)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,071	22,597	(3,415)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	42,192	7,892	2,136
Transfers-Out	(25,953)	(7,974)	(106)
Receipt of Deposits Held in Custody	735	-	-
Release of Deposits Held in Custody	(717)	-	-
Gifts and Grants for Other Than Capital Purposes	838	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	17,095	(82)	2,030
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(25,290)	(564)	(1,046)
Proceeds from Sale of Capital Assets	656	8	268
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(4)	-	-
Capital Lease Payments	-	-	(129)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(24,638)	(556)	(907)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 1,644	$ 1,649
119	26,509	-	-	99,032	345	245,516
9,592	-	1	20	1,323	1,670	12,609
38,367	22	18,120	-	-	1,070	60,234
2,312	25,243	-	-	17,927	956	423,305
-	-	-	-	-	420	420
323	15	-	-	-	1,290	13,106
249	70	767	39,733	18,946	7,986	106,434
(14,460)	(37,419)	(2,079)	(12,648)	(7,748)	(9,295)	(218,780)
(36,413)	(11,997)	(15,978)	(1,674)	(77,921)	(6,683)	(212,259)
(72)	(90)	(4)	(100)	(674)	(464)	(6,052)
-	-	-	-	-	-	(7,168)
-	-	-	-	-	-	(280,887)
-	(4,917)	-	(9)	(648)	-	(11,612)
(146)	(306)	(3)	(25,742)	-	(594)	(37,275)
(129)	(2,870)	824	(420)	50,237	(1,655)	89,240
-	2,086	-	-	36	383	54,725
(865)	(2,787)	(86)	-	(36)	(577)	(38,384)
-	-	-	25	-	-	760
-	-	-	(10)	-	-	(727)
5	10	-	-	-	174	1,027
-	30	-	-	23,630	-	23,660
-	(515)	-	-	-	-	(515)
(860)	(1,176)	(86)	15	23,630	(20)	40,546
-	(4,688)	-	-	(367,780)	(6,003)	(405,371)
1,350	7,209	74	92	123,138	7,717	140,512
-	-	-	-	-	451	451
-	(76)	-	-	(11,717)	(2,950)	(14,747)
-	(101)	-	-	-	-	(230)
1,350	2,344	74	92	(256,359)	(785)	(279,385)

(Continued)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(Continued)

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	988	8,826	1,129
Proceeds from Sale/Maturity of Investments	-	-	-
Purchases of Investments	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	482	515	-
NET CASH FROM INVESTING ACTIVITIES	1,470	9,341	1,129
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	17,998	31,300	(1,163)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	99,072	78,376	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 117,070	$ 109,676	$ (1,163)
RECONCILIATION OF OPERATING INCOME TO NET CASH			
PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (27,356)	$ 25,975	$ (3,592)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	11,379	121	751
Investment/Rental Income and Other Revenue in Operating Income	-	(9,341)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	11,026	-	300
(Gain)/Loss on Disposal of Capital and Other Assets	-	-	-
Compensated Absences	794	(53)	(55)
Interest and Other Expense in Operating Income	13,720	-	124
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	441	(8,349)	251
(Increase) Decrease in Inventories	113	-	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(888)	16	60
Increase (Decrease) in Accounts Payable	(2,055)	2,001	(977)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	16,897	12,227	(277)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 24,071	$ 22,597	$ (3,415)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	880
Capital Assets Acquired by Grants or Donations and Payable Increases	-	-	-
Loss on Disposal of Capital and Other Assets	130	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CDNTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
38	191	64	26	2,807	596	14,665
-	41	-	-	141,245	996	142,282
-	(41)	-	-	(34,212)	(958)	(35,211)
21	54	23	8	610	442	2,155
59	245	87	34	110,450	1,076	123,891
420	(1,457)	899	(279)	(72,042)	(1,384)	(25,708)
4,366	19,255	4,492	2,670	330,000	41,625	579,856
$ 4,786	$ 17,798	$ 5,391	$ 2,391	$ 257,958	$ 40,241	$ 554,148
$ (4,258)	$ (2,803)	$ 895	$ (42,773)	$ 230,719	$ (3,384)	$ 173,423
448	2,008	110	170	11,119	893	26,999
-	-	-	-	(65)	(991)	(10,397)
323	12	-	39,401	1	25	51,088
-	5	-	-	-	26	31
(71)	8	(37)	(148)	(5)	121	554
-	133	-	8	(10,123)	28	3,890
281	(1,920)	213	(182)	(7,727)	(195)	(17,187)
1,850	15	(104)	-	-	35	1,909
(53)	(66)	-	-	(4)	26	(909)
1,455	(10)	(253)	3,112	(47,873)	1,734	(42,866)
(104)	(252)	-	(8)	(125,805)	27	(97,295)
$ (129)	$ (2,870)	$ 824	$ (420)	$ 50,237	$ (1,655)	$ 89,240
-	-	-	-	-	-	880
-	-	-	-	-	-	-
-	12	-	-	27,932	28	28,102
-	20	-	-	2,442	(1)	2,461

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, 2016

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 11,808	$ 1,899	$ 18,568	$ 1,584
Other Receivables, net	793	-	2,608	6
Due From Other Governments	2	-	262	-
Due From Other Funds	-	-	14,388	-
Inventories	419	-	-	166
Prepaids, Advances and Deposits	6	-	3,971	-
Total Current Assets	13,028	1,899	39,797	1,756
Noncurrent Assets:				
Depreciable Capital Assets and Infrastructure, net	68,398	34,141	10,100	17,034
Land and Nondepreciable Capital Assets	110	-	683	-
Total Noncurrent Assets	68,508	34,141	10,783	17,034
TOTAL ASSETS	81,536	36,040	50,580	18,790
DEFERRED OUTFLOW OF RESOURCES:	3,945	1,865	27,424	1,845
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,999	332	23,014	831
Due To Other Funds	-	1,637	726	138
Unearned Revenue	-	-	12,072	-
Compensated Absences Payable	14	9	213	9
Leases Payable	15,417	3,652	-	1,145
Other Current Liabilities	270	-	-	-
Total Current Liabilities	18,700	5,630	36,025	2,123
Noncurrent Liabilities:				
Accrued Compensated Absences	483	86	6,985	215
Capital Lease Payable	53,003	18,625	-	13,710
Net Pension Liability	22,998	2,650	238,721	11,189
Total Noncurrent Liabilities	76,484	21,361	245,706	25,114
TOTAL LIABILITIES	95,184	26,991	281,731	27,237
DEFERRED INFLOW OF RESOURCES:	794	42	3,110	341
NET POSITION:				
Net investment in Capital Assets:	87	11,865	10,784	2,178
Unrestricted	(10,584)	(993)	(217,621)	(9,121)
TOTAL NET POSITION	$ (10,497)	$ 10,872	$ (206,837)	$ (6,943)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 2,265	$ 658	$ 1,118	$ 6,420	$ 1,845	$ 46,165
3	13	20	18	51	3,512
-	-	-	-	-	264
-	-	-	111	-	14,499
127	-	-	-	-	712
-	-	-	103	-	4,080
2,395	671	1,138	6,652	1,896	69,232
182	354	-	936	-	131,145
-	-	-	-	494	1,287
182	354	-	936	494	132,432
2,577	1,025	1,138	7,588	2,390	201,664
308	104	1,916	17,033	1,162	55,602
11	2	378	2,849	669	31,085
2,525	-	-	17	-	5,043
-	-	-	-	41	12,113
-	-	-	182	-	427
-	-	-	-	-	20,214
-	-	-	-	-	270
2,536	2	378	3,048	710	69,152
-	-	269	1,730	24	9,792
-	-	-	-	-	85,338
2,849	369	12,778	68,145	4,956	364,655
2,849	369	13,047	69,875	4,980	459,785
5,385	371	13,425	72,923	5,690	528,937
117	111	376	1,361	162	6,414
182	354	-	936	494	26,880
(2,799)	293	(10,747)	(50,599)	(2,794)	(304,965)
$ (2,617)	$ 647	$ (10,747)	$ (49,663)	$ (2,300)	$ (278,085)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
OPERATING REVENUES:				
Sales of Goods and Services	$ 64,340	$ 10,345	$ 225,909	$ 19
Rental Income	-	-	-	15,372
Other	128	2	-	70
TOTAL OPERATING REVENUES	64,468	10,347	225,909	15,461
OPERATING EXPENSES:				
Salaries and Fringe Benefits	10,829	2,763	151,299	4,476
Operating and Travel	25,951	8,989	83,578	6,505
Cost of Goods Sold	7,459	-	-	-
Depreciation and Amortization	19,050	4,873	2,150	2,663
Intergovernmental Distributions	-	-	1,588	4
Prizes and Awards	-	-	2	-
TOTAL OPERATING EXPENSES	63,289	16,625	238,617	13,648
OPERATING INCOME (LOSS)	1,179	(6,278)	(12,708)	1,813
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	-	44	69	-
Gain/(Loss) on Sale or Impairment of Capital Assets	1,793	-	(4)	35
Debt Service	(1,403)	(343)	(125)	(729)
Other Revenues	3	-	1	-
TOTAL NONOPERATING REVENUES (EXPENSES)	393	(299)	(59)	(694)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,572	(6,577)	(12,767)	1,119
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	1,908	-	-	-
Transfers-In	1,000	2,205	1,267	30
Transfers-Out	(1,336)	(50)	(379)	(1,773)
TOTAL CONTRIBUTIONS AND TRANSFERS	1,572	2,155	888	(1,743)
CHANGE IN NET POSITION	3,144	(4,422)	(11,879)	(624)
NET POSITION - FISCAL YEAR BEGINNING	(13,641)	-	(179,664)	(6,319)
Prior Period Adjustments (See Note 29A)	-	15,294	(15,294)	-
NET POSITION - FISCAL YEAR ENDING	$ (10,497)	$ 10,872	$ (206,837)	$ (6,943)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 2,141	$ 183	$ 5,398	$ 35,640	$ 4,510	$ 348,485
-	-	-	-	-	15,372
-	-	2	2	-	204
2,141	183	5,400	35,642	4,510	364,061
1,110	162	4,827	42,862	2,281	220,609
1,036	10	888	3,371	1,704	132,032
-	-	-	-	-	7,459
51	233	-	147	-	29,167
-	-	-	-	-	1,592
-	-	-	11	-	13
2,197	405	5,715	46,391	3,985	390,872
(56)	(222)	(315)	(10,749)	525	(26,811)
-	-	13	90	4	220
-	-	-	-	-	1,824
(5)	-	-	(4)	(1)	(2,610)
-	-	-	-	-	4
(5)	-	13	86	3	(562)
(61)	(222)	(302)	(10,663)	528	(27,373)
-	-	-	-	-	1,908
-	-	-	-	-	4,502
-	-	(138)	(2,986)	(345)	(7,007)
-	-	(138)	(2,986)	(345)	(597)
(61)	(222)	(440)	(13,649)	183	(27,970)
(2,556)	869	(10,307)	(36,014)	(2,483)	(250,115)
-	-	-	-	-	-
$ (2,617)	$ 647	$ (10,747)	$ (49,663)	$ (2,300)	$ (278,085)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Fees for Service	$ 1,838	$ -	$ 7,306	$ 6
Receipts for Interfund Services	62,589	10,347	203,130	13
Sales of Products	174	-	-	-
Gifts, Grants, and Contracts	-	-	-	70
Income from Property	-	-	-	15,407
Other Sources	146	2	12,073	-
Cash Payments to or for:				
Employees	(10,183)	(2,509)	(151,255)	(4,237)
Suppliers	(31,683)	(84)	(62,013)	(5,916)
Payments for Interfund Services	(2,848)	(3,480)	(29,734)	(618)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	-	(1,588)	(4)
Other	(31)	(1)	(63)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,002	4,275	(22,144)	4,721
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	2,939	2,205	2,489	30
Transfers-Out	(1,330)	(50)	(1,601)	(1,773)
Receipt of Deposits Held in Custody	267	-	-	-
Release of Deposits Held in Custody	(70)	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	1,806	2,155	888	(1,743)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	-	(19,698)	(469)	(795)
Proceeds from Sale of Capital Assets	7,776	-	30,414	130
Capital Debt Proceeds	4	172	-	-
Capital Debt Service Payments	-	-	(74)	-
Capital Lease Payments	(24,982)	(343)	(3,698)	(729)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(17,202)	(19,869)	26,173	(1,394)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 2	$ 31	$ 103	$ 27	$ 169	$ 9,482
1,112	157	5,288	35,496	4,311	322,443
1,418	-	-	-	-	1,592
-	-	-	-	-	70
-	-	-	-	-	15,407
-	-	2	2	10	12,235
(328)	(162)	(4,488)	(40,135)	(2,172)	(215,469)
-	(85)	(711)	(5,425)	(203)	(106,120)
(1)	-	(484)	(368)	(553)	(38,086)
-	-	-	-	(639)	(639)
-	-	-	-	-	(1,592)
-	-	-	(11)	(28)	(134)
2,203	(59)	(290)	(10,414)	895	(811)
-	-	-	-	-	7,663
-	-	(138)	(2,986)	(345)	(8,223)
-	-	-	-	-	267
-	-	-	-	-	(70)
-	-	(138)	(2,986)	(345)	(363)
-	-	-	-	-	(20,962)
67	38	757	12,990	44	52,216
-	-	-	-	-	176
(5)	-	-	(4)	(1)	(84)
-	-	-	-	-	(29,752)
62	38	757	12,986	43	1,594

(Continued)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	-	32	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	12	69	-
NET CASH FROM INVESTING ACTIVITIES	-	44	69	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	4,606	(13,395)	4,986	1,584
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	7,202	-	28,876	-
Prior Period Adjustment (See Note 29)	-	15,294	(15,294)	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 11,808	$ 1,899	$ 18,568	$ 1,584
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 1,179	$ (6,278)	$ (12,708)	$ 1,813
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	19,050	4,873	2,150	2,663
Rents, Fines, Donations, and Grants and Contracts in NonOperating	3	-	1	-
(Gain)/Loss on Disposal of Capital and Other Assets	17	-	-	35
Compensated Absences	(79)	95	104	(54)
Interest and Other Expense in Operating Income	(196)	3,787	(925)	269
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	263	-	(10,458)	41
(Increase) Decrease in Inventories	91	-	-	10
(Increase) Decrease in Other Operating Assets and Deferred Outflows	12	-	(3,551)	-
Increase (Decrease) in Accounts Payable	(326)	160	(4,540)	(16)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	(12)	1,638	7,783	(40)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 20,002	$ 4,275	$ (22,144)	$ 4,721
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	1,870	-	-	-
Loss on Disposal of Capital and Other Assets	5	-	4	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	172	-	-
Assumption of Capital Lease Obligation or Mortgage	-	20,230	-	-

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	9	70	2	113
-	-	5	20	1	107
-	-	14	90	3	220
2,265	(21)	343	(324)	596	640
-	679	775	6,744	1,249	45,525
-	-	-	-	-	-
$ 2,265	$ 658	$ 1,118	$ 6,420	$ 1,845	$ 46,165
$ (56)	$ (222)	$ (315)	$ (10,749)	$ 525	$ (26,811)
51	233	-	147	-	29,167
-	-	-	-	-	4
-	-	-	-	-	52
-	-	(38)	126	(11)	143
-	-	16	112	-	3,063
7	4	(5)	(115)	(31)	(10,294)
51	-	-	-	-	152
-	1	-	(98)	-	(3,636)
9	(75)	52	147	402	(4,187)
2,141	-	-	16	10	11,536
$ 2,203	$ (59)	$ (290)	$ (10,414)	$ 895	$ (811)
-	-	-	-	-	1,870
-	-	-	-	-	9
-	-	-	-	-	172
-	-	-	-	-	20,230

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds are included in this category, but are shown in the Basic Financial Statements. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

UNCLAIMED PROPERTY

This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net 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.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts; contractor's performance escrow accounts; sales taxes collected for cities and counties; deposits held to ensure land restoration by mining and oil exploration companies; amounts held for the trustee related to 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
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 12,430	$ 130,581	$ 47,194
Investments	-	-	-
Other Receivables, net	25	-	17,642
Noncurrent Assets:			
Investments:			
Government Securities	-	14,221	-
Repurchase Agreements	-	-	686
Mutual Funds	-	-	5,751,132
Other Investments	-	-	762,241
TOTAL ASSETS	12,455	144,802	6,578,895
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	$ -	$ -	$ 10,251
Unearned Revenue	-	-	3,923
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	3,713
TOTAL LIABILITIES	-	-	17,887
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	12,455	144,802	6,561,008
TOTAL NET POSITION	$ 12,455	$ 144,802	$ 6,561,008

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 108	$ -	$ 9,130	$ 199,443
-	-	633	633
36	-	666	18,369
-	-	-	14,221
-	-	-	686
-	-	-	5,751,132
-	-	-	762,241
144	-	10,429	6,746,725
$ -	$ -	$ 5,106	$ 15,357
-	-	3,893	7,816
-	-	-	3,713
-	-	8,999	26,886
144	-	1,430	6,719,839
$ 144	$ -	$ 1,430	$ 6,719,839

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 834,146
Investment Income/(Loss)	154	596	28,758
Unclaimed Property Receipts	-	32,598	-
Other Additions	868	-	962
TOTAL ADDITIONS	1,022	33,194	863,866
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	430	27,335	621,093
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	430	27,335	621,093
CHANGE IN NET POSITION	592	5,859	242,773
NET POSITION - FISCAL YEAR BEGINNING	11,863	138,943	6,318,235
Prior Period Adjustments (Note 29)	-	-	-
NET POSITION - FISCAL YEAR ENDING	$ 12,455	$ 144,802	$ 6,561,008

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 285,202	$ -	$ 9,752	$ 1,129,100
-	-	98	29,606
-	-	-	32,598
-	-	1,404	3,234
285,202	-	11,254	1,194,538
285,095	-	-	285,095
-	-	11,367	660,225
-	-	86	86
285,095	-	11,453	945,406
107	-	(199)	249,132
37	11,843	1,629	6,482,550
-	(11,843)	-	(11,843)
$ 144	$ -	$ 1,430	$ 6,719,839

COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 119,523	$ 1,591,337	$ 1,580,669	$ 130,191
Taxes Receivable, net	155,801	274,344	269,007	161,138
Other Receivables, net	-	39	39	-
TOTAL ASSETS	$ 275,324	$ 1,865,720	$ 1,849,715	$ 291,329
LIABILITIES:				
Tax Refunds Payable	$ 1,937	$ 8,234	$ 1,950	$ 8,221
Due To Other Governments	272,669	1,746,774	1,737,065	282,378
Claims and Judgments Payable	57	837	855	39
Other Long-Term Liabilities	661	707	677	691
TOTAL LIABILITIES	$ 275,324	$ 1,756,552	$ 1,740,547	$ 291,329

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 170,993	$ 207,974	$ 236,879	$ 142,088
Taxes Receivable, net	6,693	11,141	11,022	6,812
Other Receivables, net	544	3,257	3,468	333
Inventories	5	5	5	5
Other Long-Term Assets	12,047	7,229	7,146	12,130
TOTAL ASSETS	$ 190,282	$ 229,606	$ 258,520	$ 161,368
LIABILITIES:				
Tax Refunds Payable	$ 28	$ 429	$ 29	$ 428
Accounts Payable and Accrued Liabilities	1,894	26,760	27,653	1,001
Due To Other Governments	11,510	118,750	118,765	11,495
Due To Other Funds	-	16,026	16,026	-
Unearned Revenue	-	5	5	-
Claims and Judgments Payable	68	60	60	68
Other Current Liabilities	176,695	193,829	222,627	147,897
Deposits Held In Custody For Others	77	555	175	457
Other Long-Term Liabilities	10	23	11	22
TOTAL LIABILITIES	$ 190,282	$ 356,437	$ 385,351	$ 161,368

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 271,321	$ 179,836	$ 227,588	$ 223,569
Due From Other Funds	13,912	7,887	13,912	7,887
TOTAL ASSETS	$ 285,233	$ 187,723	$ 241,500	$ 231,456
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 231	$ 231	$ -
Other Current Liabilities	253,604	173,200	252,011	174,793
Deposits Held In Custody For Others	31,629	25,036	2	56,663
TOTAL LIABILITIES	$ 285,233	$ 198,467	$ 252,244	$ 231,456

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 561,837	$ 1,979,147	$ 2,045,136	$ 495,848
Taxes Receivable, net	162,494	285,485	280,029	167,950
Other Receivables, net	544	3,296	3,507	333
Due From Other Funds	13,912	7,887	13,912	7,887
Inventories	5	5	5	5
Other Long-Term Assets	12,047	7,229	7,146	12,130
TOTAL ASSETS	$ 750,839	$ 2,283,049	$ 2,349,735	$ 684,153
LIABILITIES:				
Tax Refunds Payable	$ 1,965	$ 8,663	$ 1,979	$ 8,649
Accounts Payable and Accrued Liabilities	1,894	26,991	27,884	1,001
Due To Other Governments	284,179	1,865,524	1,855,830	293,873
Due To Other Funds	-	16,026	16,026	-
Unearned Revenue	-	5	5	-
Claims and Judgments Payable	125	897	915	107
Other Current Liabilities	430,299	367,029	474,638	322,690
Deposits Held In Custody For Others	31,706	25,591	177	57,120
Other Long-Term Liabilities	671	730	688	713
TOTAL LIABILITIES	$ 750,839	$ 2,311,456	$ 2,378,142	$ 684,153

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the component units presented can be found in Note 38 on page 151.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COLORADO VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 1,187	$ 11,040	$ 206	$ 4,890	$ 17,323
Investments	-	-	-	7,795	7,795
Other Receivables, net	256	11	186	192	645
Due From Other Governments	-	-	330		330
Prepaids, Advances and Deposits	3,500	-	-	1,115	4,615
Total Current Assets	4,943	11,051	722	13,992	30,708
Noncurrent Assets:					
Restricted Cash and Pooled Cash	4,130	-	9,759	-	13,889
Investments	-	52,522	-	5,165	57,687
Other Long-Term Assets	247	-	202	776	1,225
Depreciable Capital Assets and Infrastructure, net	127,581	-	39,393	37,909	204,883
Land and Nondepreciable Capital Assets	19,993	-	4,890	33,477	58,360
Total Noncurrent Assets	151,951	52,522	54,244	77,327	336,044
TOTAL ASSETS	156,894	63,573	54,966	91,319	366,752
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	34	-	1,282	865	2,181
Notes, Bonds, and COPs Payable	-	-	-	6,755	6,755
Other Current Liabilities	-	-	402	950	1,352
Total Current Liabilities	34	-	1,684	8,570	10,288
Noncurrent Liabilities:					
Notes, Bonds, and COPs Payable	-	-	52,515	63,931	116,446
Other Long-Term Liabilities	-	-	-	19,142	19,142
Total Noncurrent Liabilities	-	-	52,515	83,073	135,588
TOTAL LIABILITIES	34	-	54,199	91,643	145,876
NET POSITION:					
Net investment in Capital Assets:	147,085	-	44,284	24,030	215,399
Restricted for:					
Other Purposes	4,175	-	-	954	5,129
Unrestricted	5,600	63,573	(43,517)	(25,308)	348
TOTAL NET POSITION	$ 156,860	$ 63,573	$ 767	$ (324)	$ 220,876

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2016

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COLORADO VENTURE CAPITAL AUTHORITY	HLC @ METRO	UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION	TOTAL
OPERATING REVENUES:					
Sales of Goods and Services	$ -	$ -	$ 9,853	$ -	$ 9,853
Investment Income (Loss)	-	(1,648)	-	-	(1,648)
Rental Income	1,465	-	-	-	1,465
Gifts and Donations	-	-	-	44	44
Other	-	-	-	18,474	18,474
TOTAL OPERATING REVENUES	1,465	(1,648)	9,853	18,518	28,188
OPERATING EXPENSES:					
Operating and Travel	610	102	5,968	5,216	11,896
Depreciation and Amortization	4,516	-	1,338	2,309	8,163
TOTAL OPERATING EXPENSES	5,126	102	7,306	7,525	20,059
OPERATING INCOME (LOSS)	(3,661)	(1,750)	2,547	10,993	8,129
NONOPERATING REVENUES AND (EXPENSES):					
Investment Income (Loss)	9	138	16	245	408
Gifts and Donations	-	-	53	-	53
Federal Grants and Contracts	-	-	991	-	991
Debt Service	-	-	(3,358)	(3,715)	(7,073)
Other Expenses	-	-	(6)	-	(6)
Other Revenues	1,097	-	-	-	1,097
TOTAL NONOPERATING REVENUES (EXPENSES)	1,106	138	(2,304)	(3,470)	(4,530)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,555)	(1,612)	243	7,523	3,599
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Special Items (See Note 41)	-	-	-	(1,721)	(1,721)
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	-	(1,721)	(1,721)
CHANGE IN NET POSITION	(2,555)	(1,612)	243	5,802	1,878
NET POSITION - FISCAL YEAR BEGINNING	159,415	65,185	524	(6,126)	218,998
NET POSITION - FISCAL YEAR ENDING	$ 156,860	$ 63,573	$ 767	$ (324)	$ 220,876

CAPITAL ASSETS

The following schedule presents the capital assets, net of accumulated depreciation, used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Position.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2016

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,554	10,568	66,149	-
Personnel & Administration	6,763	2,809	80,089	-
Revenue	-	-	-	-
Subtotal	10,317	13,377	146,238	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	8,236	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	243	5,345	-
Local Affairs	-	257	-	-
Regulatory Agencies	-	6	-	-
Revenue	536	-	865	-
State	-	-	-	-
Subtotal	1,182	506	14,446	51
EDUCATION				
Education	152	27	802,910	1,256
Higher Education	1,842	764	100,761	9,057
Subtotal	1,994	791	903,671	10,313
HEALTH AND REHABILITATION				
Public Health and Environment	188	1	3,979	-
Human Services	3,068	2,159	90,586	-
Subtotal	3,256	2,160	94,565	-
JUSTICE				
Corrections	2,964	2,170	542,928	-
DHS, Division of Youth Services	1,675	346	69,055	-
Judicial	1,605	880	224,896	2,292
Law	-	69	-	9
Public Safety	1,399	1,401	21,227	-
Regulatory Agencies	-	-	-	-
Subtotal	7,643	4,866	858,106	2,301
NATURAL RESOURCES				
Natural Resources	70,148	513	28,551	-
SOCIAL ASSISTANCE				
Human Services	-	1,660	1,572	-
Military Affairs	36	1,191	1,890	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,851	3,462	-
TRANSPORTATION				
Transportation	16,322	119	172,583	-
TOTAL CAPITAL ASSETS	$ 110,898	$ 25,183	$ 2,221,622	$ 12,665

[1]Governor's Office, Colorado Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 33,514	$ 905	$ -	$ 6,703	$ -	$ 41,122
539	-	-	174	-	713
625	-	14	1,382	-	82,292
82,480	36,641	15	13,448	-	222,245
4,385	5,772	-	11,764	-	21,921
121,543	43,318	29	33,471	-	368,293
2,028	(12)	-	109	-	10,464
16	-	-	-	-	67
729	2,980	212	-	-	10,052
63	2	643	-	-	965
256	92	-	-	-	354
81	294	-	-	-	1,776
1,105	117	-	-	-	1,222
4,278	3,473	855	109	-	24,900
2,120	1,396	-	489	-	808,350
967	68	(3)	2,028	53	115,537
3,087	1,464	(3)	2,517	53	923,887
5,604	7,608	1,659	-	-	19,039
1,416	(10,347)	61	14,637	-	101,580
7,020	(2,739)	1,720	14,637	-	120,619
10,305	117	264	21,127	-	579,875
174	-	-	3,918	-	75,168
12,686	3,419	-	15,773	-	261,551
1,647	100	-	-	-	1,825
23,366	4,202	110	27,767	-	79,472
20	-	-	-	-	20
48,198	7,838	374	68,585	-	997,911
1,167	875	1,151	650	-	103,055
1,798	36,238	-	12,498	-	53,766
68	-	-	4,149	-	7,334
66	171	-	-	-	237
1,932	36,409	-	16,647	-	61,337
165,414	4,500	-	620,684	8,281,364	9,260,986
$ 352,639	$ 95,138	$ 4,126	$ 757,300	$ 8,281,417	$ 11,860,988

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provide a summary of assets, liabilities, and net position/fund balance of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2016

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife For Future Generations Trust Fund - Nonexpendable	TRUST 33-1-112	7,248	-	7,248
Wildlife For Future Generations Trust Fund - Expendable	TRUST 33-1-112	1,192	2	1,190
Other Permanent-Nonexpendable	TRUST	749	-	749
Co Veterans Monument Preservation Trust Fund - Nonexpendable	TRUST 2480-1401	85	-	85
Parks For Future Generations Trust Fund - Nonexpendable	33-10-111(6)(a)	25	-	25
Hall Historical Marker - Nonexpendable	TRUST 24-80-209	8	-	8
Co Veterans' Monument Preservation Trust Fund - Expendable	TRUST 2480-1401	1	-	1
Total Other Permanent Funds		$ 9,308	$ 2	$ 9,306
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse And Breeders Awards Fund	12-60-704	633	-	633
Early Intervention Services Trust Fund	27-10.5-706	9,505	8,984	521
Brand Estray Fund	35-41-102	291	15	276
Veteran's Private Contribution Fund	28-5-706	-	-	-
Total Other Private Purpose Funds		$ 10,429	$ 8,999	$ 1,430
OTHER ENTERPRISE FUNDS				
CollegeInvest	23-3.1-205.4	35,638	13,047	22,591
Early Achievers Scholarship Trust	23-3.1-206.9	14,822	74	14,748
Capitol Parking Fund	NONE	12,347	3,296	9,051
Grounds Cash Fund	26-1-133.5(2)	4,438	921	3,517
Other Enterprise Funds	VARIOUS	78	-	78
Clean Screen Authority	42-4-307.5	723	715	8
Work Therapy Cash Fund	26-8-107	331	390	(59)
Business Enterprise Program	26-8.5-107	1,258	1,657	(399)
Enterprise Services Fund	24-80-209	3,326	5,797	(2,471)
Brand Inspection Fund	35-41-102	3,896	12,380	(8,484)
Total Other Enterprise Funds		$ 76,857	$ 38,277	$ 38,580
OTHER INTERNAL SERVICE FUNDS				
Professional Development Cash Fund	24-50-122(2)	820	1,432	(612)
Debt Collection Fund	24-30-202.4	2,732	4,420	(1,688)
Total Other Internal Service Funds		$ 3,552	$ 5,852	$ (2,300)
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance Fund	22-43.7-104	383,132	12,180	370,952
Controlled Maintenance Trust Fund	24-75-302.5	70,900	-	70,900
State Employee Reserve Fund	24-50-104	46,771	-	46,771
Economic Development Fund	24-46-105	23,783	19	23,764
Intellectual And Developmental Disabilities Services Cash Fund	25.5-10-207	15,396	329	15,067
Real Estate Proceeds Fund	28-3-106	10,541	4	10,537
Legislative Department Cash	2-2-1601(1)	10,516	253	10,263
Housing Development Grant Fund	24-32-721	10,389	634	9,755
Indirect Cost Excess Recovery Fund	24-75-1401	7,971	182	7,789
Old Age Pension Stabilization Fund	26-2-116	5,000	-	5,000
Skilled Worker Outreach Recruitment & Key Training Fund	8-83-307	3,198	46	3,152
Ballot Information Publication & Distribution Revolving Fund	1-40-124.5	2,670	-	2,670
Natural Hazard Mapping Fund	37-60-131(1)(a)	2,260	-	2,260
Underfunded Courthouse Facility Cash Fund	13-1-304	2,184	161	2,023
State Social Security Income Stabilization Fund	26-2-210(1)	1,836	-	1,836
Older Coloradans Cash Fund	26-11-205.5	4,101	2,271	1,830
Persistent Drunk Driver Fund	42-3-130.5	1,677	193	1,484
Energy Research Cash Fund	24-48.5-120	992	2	990
Tax Amnesty Cash Fund	39-21-202	962	-	962
Cross-System Response For Behavioral Health Crises Pilot Pgm	BHC Pilot	1,695	855	840
Charter School Assistance Fund	22-30.5-515	2,137	1,373	764
Colorado Health Care Services Fund	25.5-3-112	739	-	739
Start Smart Nutrition Program Fund	22-82.7-105	673	35	638
Charter School Institute Fund	22-30.5-506	2,471	1,834	637
Conservation Trust Fund	24-35-210(10)	12,993	12,512	481

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2016

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Diseased Livestock Fund	35-50-140.5	438	-	438
Colorado Family Support Loan Fund	27-10.5-502	429	10	419
Firefighter Benefits Cash Fund	29-5-302(11)(a)	262	-	262
Strategic Action Plan On Aging Cash Fund	24-32-3407(1)	232	-	232
Legislative Expenses Fund	2-3-1002(1)	217	-	217
Advanced Industries Export Acceleration Cash Fund	24-47-103(8)	280	82	198
Advance Technology Fund	25-16.5-105(2)	145	-	145
Colorado National Guard Tuition Fund	23-5-111.4	124	-	124
Hospitality Career Secondary Education Fund	24-46.3-204	154	42	112
Colorado Heritage Communities Fund	24-32-3207	129	61	68
Service Fee Fund	26-4-410(1)D	19	8	11
Child Protection Ombudsman Program	#MULTIVALUE	8	-	8
Prepaid Wireless Trust Cash Fund	29-11-102.5	6	-	6
Youth Advisory Council Cash Fund	2-2-1306	4	-	4
Child Welfare Transition Cash Fund	25.5-6-409.5(9)	63	61	2
Professional Development And Student Support Fund	22-24-108(3)(a)	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
Oap Health And Medical Care Fund	25.5-2-101(2)	125	125	-
Procurement Technical Assistance Cash Fund	24-48.5-121(8)	1	1	-
Colorado Student Leaders Institute Cash Fund	24-44.3-105(1)	219	219	-
General Fund Reserve Account(Refunds)	39-29-107.8	56,800	56,800	-
Total Other Special Purpose General Funds		$ 684,644	$ 90,292	$ 594,352
OTHER SPECIAL REVENUE FUNDS				
Marijuana Tax Cash Fund	39-28.8-501	99,636	2,263	97,373
Mortgage Fraud Custodial Funds	Settlement	42,477	349	42,128
Adult Dental Fund	25.5-5-207(4)	38,436	1,401	37,035
Consumer Protection Custodial Funds	6-1-103	35,349	320	35,029
Colorado Opportunity Scholarship Initiative Fund	23-303-1005	34,181	53	34,128
Gear Up Scholarship Trust Fund	SETTLEMENT	27,123	9	27,114
Marijuana Cash Fund	12-43.3-501	25,463	404	25,059
Advance Industries Acceleration Fund	24-48.5-117	19,712	1,519	18,193
Supreme Court Committee Fund	COURT RULE 227	15,481	703	14,778
Victims Compensation Fund	24-4.1-117	11,418	13	11,405
Victims Assistance Fund	24-4.2-104	10,672	111	10,561
Judicial Information Technology Cash Fund	13-32-114	12,907	2,958	9,949
Offender Services Fund	16-11-214	7,920	317	7,603
Hud Sec 8 Family Self-Sufficiency Program	29-4-708(K)	7,527	378	7,149
Title Iv-E Waiver Demonstration Project Cash Fund	26-5-105.4(4)(b	7,036	93	6,943
Justice Center Cash Fund	13-32-101(7)	6,654	311	6,343
Judicial Stabilization Cash Fund	13-32-101	6,246	556	5,690
Correctional Treatment Cash Fund	18-19-103(4)	7,213	2,059	5,154
Colorado Bureau Of Investigation Identification Unit Fund	24-33.5-426	6,086	1,309	4,777
Creative Industries Cash Fund	24-48.5-301(2)	4,726	82	4,644
Judicial Collection Enhancement Fund	16-11-101.6	4,977	532	4,445
Department Of State Cash Fund	24-21-104	6,148	1,787	4,361
Conveyance Safety Fund	9-5.5-111(2)	4,056	20	4,036
Process And End Users Fund	25-17-202.5	6,108	2,135	3,973
Criminal Alien Assistance Cash Fund	17-1-107.5	3,918	-	3,918
Supplier Database Cash Fund	24-102-202.5	3,807	-	3,807
Collection Agency Board Custodial Fund	24-31-108	3,697	8	3,689
Energy Efficiency Project Fund	24-38.5-106(4)	3,512	-	3,512
Local Firefighter Safety And Disease Prevention Fund	24-33.5-1231	3,358	161	3,197
Public School Construction And Inspection Fund	24-33.5-1207	3,044	118	2,926
Broadband Fund	40-15-509.5(4)	2,841	-	2,841
Other Education Special Revenue Funds	VARIOUS	2,819	11	2,808
Auto Theft Prevention Cash Fund	42-5-112(4A)	5,782	2,975	2,807
Housing Rehabilitation Revolving Loans	29-4-728	2,418	24	2,394
Attorney'S Fees And Costs Fund	24-31-108(2)	2,086	-	2,086
School Bullying Prevention And Education Cash Fund	22-93-105(1)	1,999	6	1,993
Patient Benefit Fund	CUSTOIDAL	1,837	14	1,823

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2016

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Help America Vote Act Fund	FED HAVA 2002	1,789	2	1,787
Commercial Vehicle Enterprise Fund	42-1-225(1)	1,779	7	1,772
Victims Assistance And Law Enforcement Fund	24-33.5-506	1,883	150	1,733
Uniform Commercial Credit Code Custodial Funds	4-1-102	1,815	110	1,705
Inspection And Consumer Services Cash Fund	35-1-106.5	1,995	313	1,682
Traumatic Brain Injury Fund	26-1-210(1)	2,301	669	1,632
Donations - Governor'S Office	CUSTODIAL	1,798	179	1,619
Public School Transportation Fund	22-51-103(1)	1,783	217	1,566
History Colorado Restricted Donations	24-80-209	1,503	16	1,487
Federal Tax Relief Act Of 2003	FEDERAL	1,487	24	1,463
P.O.S.T. Board Cash Fund	24-31-303(2)	2,712	1,367	1,345
Instant Criminal Background Check Fund	24-33.5-424	1,516	227	1,289
Mfp Rebalancing Fund	Federal	1,279	-	1,279
Court Security Cash Fund	13-1-204(1)	1,772	545	1,227
Hud Community Development Block Grant Fund	24-76-101	9,472	8,382	1,090
State Patrol Contraband Fund	24-33.5-225	983	7	976
Colorado Bureau Of Investigation Contraband Fund	24-33.5-415	968	-	968
Child Care Assistance Cliff Effect Pilot Program Fund	26-2-808(2.5)	974	21	953
Restorative Justice Surcharge Fund	18-25-101(3)	1,085	212	873
Hud Home Grant Revolving Loan Fund	NONE	1,898	1,089	809
Plant Health, Pest Control And Environmental Protection Fund	35-1-106.3	2,703	1,906	797
Other Human Services Special Revenue Funds	VARIOUS	1,308	515	793
Disabled Telephone Users Fund	40-17-104	1,101	315	786
Insurance Fraud Cash Fund	10-3-207.5(2)	1,940	1,169	771
Howard Fund	26-8-104(1)C	657	-	657
Library Trust Fund	24-90-105	637	7	630
Agricultural Products Inspection Fund	35-23-114(3)	812	189	623
Public Utilities Commission Fixed Utility Fund	40-2-114	1,331	734	597
Law Enforcement Grant Fund	25-17-207(4)	559	-	559
Texaco Oil Overcharge Fund	SETTLEMENT	556	-	556
Auto Dealers License Fund	12-6-123	743	208	535
Uniform Consumer Credit Code Cash Fund	5-6-204	1,545	1,023	522
Identity Theft Financial Fraud Fund	24-33.5-1707	550	36	514
State Toxicology Laboratory Fund	24-33.5-428(2)(	546	86	460
Innovative Energy Fund	24-38.5-102.5	619	166	453
Division Of Insurance Cash	10-1-103	4,418	3,969	449
Judicial Performance Cash Fund	13-5.5-107	473	26	447
Waste Tire Market Development Fund	25-17-202.9	526	82	444
Exxon Oil Overcharge Funds	SETTLEMENT	439	-	439
Real Estate Cash Fund	12-61-111.5	3,661	3,275	386
State Public Financing Fund	24-36-121(7)	385	-	385
Public Deposit Administration Fund	11-10.5-112	776	423	353
Interstate Compact Probation Transfer Cash Fund	18-1.3-204(4)	346	3	343
Retail Marijuana Excise Tax Fund	12-43.3-501	409	70	339
Hud Sec 811 Supportive Housing Person With Disablities	29-4-708(K)	347	14	333
Waste Tire Fire Prevention Fund	25-17-202.8	317	-	317
Board Assessment Appeals Cash Fund	39-2-125(1)H	324	11	313
Liquor Enforcement Division & State Licensing Authority	24-35-401	564	262	302
Family-Friendly Court Program Fund	13-3-113(6)	281	14	267
Diamond Shamrock Settlement Funds	SETTLEMENT	257	-	257
Colorado Domestic Abuse Program Fund	39-22-802	352	108	244
Building Regulation Fund	24-32-3309	312	68	244
Public Education Fund	39-22-4203	243	-	243
Educator Licensure Cash Fund	22-60.5-112	419	178	241
Food Distribution Program Service Fund	26-1-121(4B)	345	104	241
Homeless Prevention Program Fund	39-22-1302	252	17	235
Vickers Oil Overcharge Funds	E.O. 56-87	233	-	233
State And Veterans Nursing Homes Patient Benefit Fund	26-12-108(2)	231	-	231
State Archives And Public Records Cash Fund	24-80-102(10)	231	-	231
Moffat Tunnel Cash Fund	32-8-126	217	-	217
Cervidae Disease Fund	35-50-115	203	-	203
Witness Protection Fund	24-33.5-106	201	-	201
166 Funds with Net Assets Below $200,000		55,167	53,517	1,650
Total Other Special Revenue Funds		$ 616,998	$ 105,031	$ 511,967

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 268,914	
Income Taxes			592,407	
Other Taxes			25,217	
Federal Grants and Contracts			1	
Sales and Services			42	
Interest Earnings			1,117	
Other Revenues			2,268	
Transfers-In			2,619	
TOTAL REVENUES AND TRANSFERS-IN			892,585	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Governor	$ -	$ 50	37	$ 13
Health Care Policy and Financing	-	6,829	4,779	2,050
Higher Education	-	782	782	-
Human Services	-	8,514	8,514	-
Labor and Employment	-	700	236	464
Local Affairs	4,251	6,513	5,247	1,266
Public Health and Environment	-	3,274	3,274	-
Regulatory Agencies	4,150	4,150	4,150	-
Revenue	101,520	211,349	210,139	1,210
Transportation	-	102	102	-
Treasury	462,039	462,039	462,039	-
Transfers Not Appropriated by Department	271,129	271,129	221,329	49,800
SUB-TOTAL OPERATING BUDGETS	843,089	975,431	920,628	54,803
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 843,089	$ 975,431	920,628	$ 54,803
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (28,043)	

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 812,318	
Income Taxes			56,800	
Other Taxes			805,466	
Tuition and Fees			2,182,553	
Sales and Services			1,411,616	
Interest Earnings			120,561	
Other Revenues			2,682,273	
Transfers-In			5,653,581	
TOTAL REVENUES AND TRANSFERS-IN			13,725,168	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 5,164	$ 5,762	2,451	$ 3,311
Corrections	18,856	39,726	38,098	1,628
Education	3,529,413	3,523,083	3,505,405	17,678
Governor	169,328	241,232	83,878	157,354
Health Care Policy and Financing	48,815	50,883	5,908	44,975
Higher Education	3,176,419	3,350,914	3,278,136	72,778
Human Services	310,353	161,499	153,057	8,442
Judicial Branch	44,284	62,531	54,552	7,979
Labor and Employment	652,269	652,989	538,512	114,477
Law	30,551	30,862	14,235	16,627
Legislative Branch	11,712	11,712	3,414	8,298
Local Affairs	385,596	395,815	194,646	201,169
Military and Veterans Affairs	858	1,338	849	489
Natural Resources	814,202	825,609	323,109	502,500
Personnel & Administration	446,648	451,225	439,888	11,337
Public Health and Environment	74,660	75,295	27,734	47,561
Public Safety	126,417	129,410	76,434	52,976
Regulatory Agencies	2,016	2,830	1,592	1,238
Revenue	384,004	404,648	335,040	69,608
State	437	437	427	10
Transportation	3,052,505	3,253,960	1,152,580	2,101,380
Treasury	1,948,901	1,953,494	1,935,596	17,898
Budgets/Transfers Not Recorded by Department	8,975	8,975	8,972	3
SUB-TOTAL OPERATING BUDGETS	15,242,383	15,634,229	12,174,513	3,459,716
Capital and Multi-Year Budgets:				
Departmental:				
Natural Resources	45,739	82,078	14,661	67,417
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	45,739	82,078	14,661	67,417
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 15,288,122	$ 15,716,307	12,189,174	$ 3,527,133
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,535,994	

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, 2016

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,057,740	
TOTAL REVENUES AND TRANSFERS-IN			4,057,740	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,171	$ 12,944	5,805	$ 7,139
Corrections	1,260	5,446	3,896	1,550
Education	650,650	876,097	627,851	248,246
Governor	6,493	63,520	25,827	37,693
Health Care Policy and Financing	240,126	357,041	293,777	63,264
Higher Education	27,495	399,869	357,177	42,692
Human Services	238,457	1,262,992	1,041,211	221,781
Judicial Branch	9,893	26,881	22,617	4,264
Labor and Employment	100,821	210,425	135,061	75,364
Law	1,794	1,796	1,658	138
Local Affairs	76,876	283,782	145,276	138,506
Military and Veterans Affairs	215,692	20,296	13,054	7,242
Natural Resources	29,543	94,360	40,948	53,412
Personnel & Administration	-	120	30	90
Public Health and Environment	272,612	424,900	287,201	137,699
Public Safety	59,500	386,479	111,284	275,195
Regulatory Agencies	1,486	8,500	3,659	4,841
Revenue	824	3,932	1,511	2,421
State	-	2,373	556	1,817
Transportation	573,062	900,052	744,147	155,905
Treasury	-	104,596	104,596	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,510,755	5,446,401	3,967,142	1,479,259
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 2,510,755	$ 5,446,401	3,967,142	$ 1,479,259
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 90,598	

Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

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
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,703,416	$ 2,696,950	$ 2,302,356	$ 2,549,620
Investments	-	-	8,460	3,497
Taxes Receivable, net	1,251,185	1,252,907	1,224,629	1,118,329
Other Receivables, net	572,655	450,805	210,062	189,937
Due From Other Governments	440,053	787,269	570,721	369,249
Internal Balances	28,967	28,022	19,336	23,801
Due From Component Units	347	135	54	119
Inventories	53,261	54,194	53,125	55,319
Prepaids, Advances and Deposits	67,468	67,917	73,025	57,465
Total Current Assets	5,117,352	5,338,199	4,461,768	4,367,336
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,923,920	2,140,729	2,554,938	1,798,432
Restricted Investments	732,662	761,140	657,772	598,209
Restricted Receivables	510,028	363,300	258,107	176,055
Investments	219,369	280,100	428,321	464,535
Other Long-Term Assets	675,809	636,260	686,349	740,735
Depreciable Capital Assets and Infrastructure, net	9,976,023	9,772,651	9,600,423	9,312,959
Land and Nondepreciable Capital Assets	1,851,910	1,968,227	1,931,832	2,170,769
Depreciable Capital Assets for Investment	33,055	-	-	-
Total Noncurrent Assets	15,922,776	15,922,407	16,117,742	15,261,694
TOTAL ASSETS	21,040,128	21,260,606	20,579,510	19,629,030
DEFERRED OUTFLOW OF RESOURCES:	818,761	350,796	18,289	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	856,076	669,992	718,211	718,077
Accounts Payable and Accrued Liabilities	1,166,681	1,367,263	1,043,961	742,225
TABOR Refund Liability (Note 8B)	31,358	173,346	706	706
Due To Other Governments	232,724	233,087	245,300	198,953
Due To Other Funds	-	-	-	-
Due To Component Units	-	-	15	81
Unearned Revenue	123,769	100,467	92,674	95,026
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	11,522	12,185	10,470	10,955
Claims and Judgments Payable	46,343	47,682	61,623	46,873
Leases Payable	28,261	27,760	26,941	20,004
Notes, Bonds, and COPs Payable	171,835	200,975	187,910	174,340
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	29,525	19,052	19,979	14,834
Total Current Liabilities	2,698,094	2,851,809	2,407,790	2,022,074
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	90	139	139	17
Accrued Compensated Absences	154,510	149,817	145,992	138,413
Claims and Judgments Payable	276,010	299,785	301,591	323,451
Capital Lease Payable	122,404	144,569	148,055	131,006
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,174,467	1,331,892	1,541,225	1,611,220
Due to Component Units	-	-	-	-
Net Pension Liability	6,295,004	5,565,526		
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	415,669	423,809	402,954	444,118
Total Noncurrent Liabilities	8,438,154	7,915,537	2,539,956	2,648,225
TOTAL LIABILITIES	11,136,248	10,767,346	4,947,746	4,670,299
DEFERRED INFLOW OF RESOURCES:	133,375	47,262	338	-
Net investment in Capital Assets:	11,330,474	10,654,690	10,125,644	10,107,082
Restricted for:				
Construction and Highway Maintenance	966,743	936,535	1,080,201	1,145,997
Education	309,957	766,688	1,110,180	1,265,476
Unemployment Insurance	-	-	-	-
Debt Service	68,105	56,534	44,752	33,113
Emergencies	217,328	217,328	153,150	161,350
Permanent Funds and Endowments:				
Expendable	5,801	7,301	7,271	6,328
Nonexpendable	950,976	896,872	800,132	694,564
Other Purposes	717,185	626,649	358,694	349,811
Unrestricted	(3,977,303)	(3,365,803)	1,969,691	1,195,010
TOTAL NET POSITION	$ 10,589,266	$ 10,796,794	$ 15,649,715	$ 14,958,731

GOVERNMENTAL ACTIVITIES					
2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 1,969,331	$ 1,548,435	$ 1,962,934	$ 2,217,711	$ 2,632,601	$ 2,455,425
1,726	45,548	15,224	1,498	565	998
1,012,147	830,730	857,246	920,086	946,077	956,149
156,126	147,768	158,060	182,540	188,347	153,218
318,460	486,655	516,248	475,997	355,519	280,637
15,964	18,620	14,153	14,617	14,545	13,756
137	62	84	66	63	65
17,057	19,837	16,468	16,183	16,703	14,053
53,961	56,543	38,591	33,244	23,790	28,527
3,544,909	3,154,198	3,579,008	3,861,942	4,178,210	3,902,828
1,779,413	1,635,476	1,572,925	1,813,365	2,061,543	1,689,703
591,083	1,097,797	687,314	694,311	620,325	552,211
181,932	173,347	195,753	184,120	187,018	279,140
416,674	52,343	529,059	98,815	96,743	80,695
712,736	761,498	644,867	600,020	442,911	425,886
9,602,516	9,331,295	9,689,916	2,360,036	2,282,645	1,288,308
1,903,604	1,780,945	1,637,224	10,480,438	10,291,250	11,799,975
-	-	-	-	-	-
15,187,958	14,832,701	14,957,058	16,231,105	15,982,435	16,115,918
18,732,867	17,986,899	18,536,066	20,093,047	20,160,645	20,018,746
-	-	-	-	-	-
661,829	625,145	664,781	633,722	561,117	486,576
677,471	785,496	847,550	779,008	837,311	694,602
706	706	706	706	706	727
228,229	216,956	181,684	223,415	183,696	176,864
-	-	-	-	-	-
-	-	-	-	-	-
125,174	111,506	128,404	150,632	97,174	65,389
-	-	-	-	-	-
9,859	9,741	10,287	8,930	9,776	9,533
44,858	44,641	44,181	36,936	37,775	40,948
14,387	12,872	11,384	8,227	6,002	2,807
162,670	145,165	642,445	637,066	574,150	457,250
-	-	-	-	-	-
16,531	13,748	20,432	9,818	11,794	9,615
1,941,714	1,965,976	2,551,854	2,488,460	2,319,501	1,944,311
-	-	-	-	-	-
16	14	13	16	16	17
132,394	137,139	138,224	140,675	128,760	116,262
330,516	340,003	347,394	358,371	335,636	295,874
107,042	94,716	85,746	83,586	54,029	27,649
-	-	-	-	-	-
-	-	-	-	-	-
1,614,293	1,621,749	1,554,964	1,146,960	1,274,720	1,390,671
-	-	-	-	-	-
-	-	-	-	-	-
427,828	434,194	402,599	397,774	217,793	206,972
2,612,089	2,627,815	2,528,940	2,127,382	2,010,954	2,037,445
4,553,803	4,593,791	5,080,794	4,615,842	4,330,455	3,981,756
-	-	-	-	-	-
10,107,432	9,836,378	10,118,621	11,631,061	11,348,995	11,804,908
1,176,269	1,160,789	1,198,849	1,220,524	1,350,485	1,196,903
280,269	485,171	194,586	338,365	353,149	225,818
-	-	-	-	-	-
21,453	10,127	4,093	558	558	558
72,850	85,400	94,000	93,550	93,000	85,760
6,024	8,017	11,130	8,588	2,333	1,782
684,953	641,802	643,148	623,619	587,733	515,997
340,818	315,082	138,826	197,918	231,532	299,777
1,488,996	850,342	1,052,019	1,363,022	1,862,405	1,905,487
$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,525,453	$ 2,454,684	$ 2,246,115	$ 2,169,314
Investments	392,188	378,115	254,744	281,822
Taxes Receivable, net	123,638	142,241	135,207	137,970
Other Receivables, net	640,664	430,306	408,364	381,351
Due From Other Governments	94,860	134,455	150,697	155,190
Internal Balances	(28,967)	(28,022)	(19,336)	(23,801)
Due From Component Units	18,188	11,370	23,716	18,969
Inventories	54,748	57,950	54,015	52,826
Prepaids, Advances and Deposits	28,756	28,186	37,433	24,806
Total Current Assets	3,849,528	3,609,285	3,290,955	3,198,447
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	457,926	499,742	429,965	352,234
Restricted Investments	167,540	246,783	303,678	292,283
Restricted Receivables	40,009	31,609	45,477	45,264
Investments	1,941,040	1,969,155	1,896,811	1,746,078
Other Long-Term Assets	129,425	129,850	99,380	128,105
Depreciable Capital Assets and Infrastructure, net	7,050,226	6,190,355	5,876,698	5,463,065
Land and Nondepreciable Capital Assets	1,652,441	1,788,595	1,370,142	1,229,761
Depreciable Capital Assets for Investment	-	-	-	-
Total Noncurrent Assets	11,438,607	10,856,089	10,022,151	9,256,790
TOTAL ASSETS	15,288,135	14,465,374	13,313,106	12,455,237
DEFERRED OUTFLOW OF RESOURCES:	649,853	348,635	118,103	551
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	771,248	751,171	659,085	602,571
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	38,615	22,048	30,805	34,169
Due To Other Funds	-	-	-	-
Due To Component Units	645	623	528	343
Unearned Revenue	306,222	407,108	346,264	305,108
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	22,761	20,960	18,117	16,609
Claims and Judgments Payable	-	-	-	-
Leases Payable	9,132	8,618	6,610	6,575
Notes, Bonds, and COPs Payable	267,134	251,947	244,366	233,811
Other Postemployment Benefits	-	-	14,076	17,052
Other Current Liabilities	139,765	125,054	127,033	142,868
Total Current Liabilities	1,555,522	1,587,529	1,446,884	1,359,106
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	20	-	-	-
Accrued Compensated Absences	293,365	268,600	250,148	236,329
Claims and Judgments Payable	39,657	41,460	40,982	38,993
Capital Lease Payable	47,994	45,663	35,582	35,153
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	13,222	9,515	8,566	8,333
Notes, Bonds, and COPs Payable	4,480,091	4,418,327	4,131,227	3,898,265
Due to Component Units	1,631	1,661	1,743	1,755
Net Pension Liability	3,957,073	3,579,748		
Other Postemployment Benefits	289,133	241,779	181,511	177,176
Other Long-Term Liabilities	28,569	83,521	44,768	11,972
Total Noncurrent Liabilities	9,150,755	8,690,274	4,694,527	4,407,976
TOTAL LIABILITIES	10,706,277	10,277,803	6,141,411	5,767,082
DEFERRED INFLOW OF RESOURCES:	250,058	38,380	-	-
Net investment in Capital Assets:	5,051,345	4,417,947	3,653,265	3,571,408
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	462,636	439,535	642,611	-
Unemployment Insurance	740,049	620,575	402,770	218,076
Debt Service	85,617	75,666	39,862	8,439
Emergencies	34,000	34,000	34,000	34,000
Permanent Funds and Endowments:				
Expendable	157,611	150,270	7,901	11,716
Nonexpendable	83,274	87,679	64,712	61,159
Other Purposes	101,209	88,686	56,296	631,921
Unrestricted	(1,734,088)	(1,416,530)	2,388,381	2,151,987
TOTAL NET POSITION	$ 4,981,653	$ 4,497,828	$ 7,289,798	$ 6,688,706

BUSINESS-TYPE ACTIVITIES

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 2,011,437	$ 1,306,800	$ 1,176,181	$ 1,220,190	$ 1,555,782	$ 1,430,836
160,099	273,605	253,270	386,948	272,804	326,087
159,303	186,161	90,005	73,326	82,431	81,745
330,216	302,042	282,053	245,768	239,790	219,488
218,667	177,822	158,787	142,961	125,894	126,391
(15,964)	(18,620)	(14,153)	(14,617)	(14,545)	(13,756)
18,715	19,736	14,474	12,630	16,348	15,334
53,318	43,600	42,779	42,467	42,271	38,000
24,160	18,018	19,244	20,091	17,055	15,751
2,959,951	2,309,164	2,022,640	2,129,764	2,337,830	2,239,876
372,457	409,652	353,164	368,308	446,681	149,811
293,711	98,146	239,719	201,025	259,115	555,310
80,975	24,980	239,041	1,916,974	1,716,722	1,408,588
1,769,909	1,623,569	1,206,671	1,154,901	1,008,382	972,922
114,118	122,939	119,387	123,599	119,650	112,693
5,250,256	4,662,346	3,912,771	3,594,383	3,464,979	2,851,692
1,019,556	938,544	1,207,048	928,243	576,755	835,182
-	-	-	-	-	-
8,900,982	7,880,176	7,277,801	8,287,433	7,592,284	6,886,198
11,860,933	10,189,340	9,300,441	10,417,197	9,930,114	9,126,074
5,005	-	7,778	-	-	-
-	-	-	-	-	-
623,458	556,294	596,926	506,318	467,741	413,788
-	-	-	-	-	-
53,622	331,246	406,275	182,922	26,885	38,501
-	-	-	-	-	-
123	524	466	930	1,112	273
237,530	234,662	232,371	207,551	190,528	183,805
-	-	-	-	-	-
14,942	14,579	13,035	12,753	12,745	12,578
-	-	-	-	7,398	11,717
5,853	4,950	6,672	6,282	5,976	4,950
243,601	79,106	100,329	85,456	75,567	62,998
15,721					
110,667	141,484	126,232	241,129	208,542	126,574
1,305,517	1,362,845	1,482,306	1,243,341	996,494	855,184
-	-	-	-	-	-
-	-	-	-	-	-
219,026	205,621	196,295	185,420	166,402	153,320
36,472	35,373	29,461	27,541	28,482	28,220
33,185	43,466	76,702	83,206	83,113	63,671
-	-	-	4,285	4,285	-
12,994	6,182	7,778	-	-	-
3,938,320	3,117,100	2,682,987	3,917,559	3,466,484	3,100,764
1,758	2,374	2,501	723	1,233	-
139,653	105,876	47,259	31,689	15,775	-
39,015	43,814	36,450	43,321	40,756	54,097
4,420,423	3,559,806	3,079,433	4,293,744	3,806,530	3,400,072
5,725,940	4,922,651	4,561,739	5,537,085	4,803,024	4,255,256
-	2,006	-	-	-	-
3,386,411	2,990,094	2,854,803	2,665,270	2,411,662	2,256,929
-	-	-	-	-	-
-	-	-	-	-	-
64,433	-	-	392,984	765,533	675,574
7,464	6,753	6,100	111,778	180,409	125,656
10,005	12,368	16,257	21,282	33,716	37,472
6,975	5,936	6,825	6,935	9,592	5,313
38,798	73,956	71,738	70,420	74,479	97,821
629,655	657,292	630,890	582,006	491,492	411,112
1,996,257	1,518,284	1,159,867	1,029,437	1,160,207	1,260,941
$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,818

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 5,228,869	$ 5,151,634	$ 4,548,471	$ 4,718,934
Investments	392,188	378,115	263,204	285,319
Taxes Receivable, net	1,374,823	1,395,148	1,359,836	1,256,299
Other Receivables, net	1,213,319	881,111	618,426	571,288
Due From Other Governments	534,913	921,724	721,418	524,439
Internal Balances	-	-	-	-
Due From Component Units	18,535	11,505	23,770	19,088
Inventories	108,009	112,144	107,140	108,145
Prepaids, Advances and Deposits	96,224	96,103	110,458	82,271
Total Current Assets	8,966,880	8,947,484	7,752,723	7,565,783
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,381,846	2,640,471	2,984,903	2,150,666
Restricted Investments	900,202	1,007,923	961,450	890,492
Restricted Receivables	550,037	394,909	303,584	221,319
Investments	2,160,409	2,249,255	2,325,132	2,210,613
Other Long-Term Assets	805,234	766,110	785,729	868,840
Depreciable Capital Assets and Infrastructure, net	17,026,249	15,963,006	15,477,121	14,776,024
Land and Nondepreciable Capital Assets	3,504,351	3,756,822	3,301,974	3,400,530
Depreciable Capital Assets for Investment	33,055	-	-	-
Total Noncurrent Assets	27,361,383	26,778,496	26,139,893	24,518,484
TOTAL ASSETS	36,328,263	35,725,980	33,892,616	32,084,267
DEFERRED OUTFLOW OF RESOURCES:	1,468,614	699,431	136,392	551
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	856,076	669,992	718,211	718,077
Accounts Payable and Accrued Liabilities	1,937,929	2,118,434	1,703,046	1,344,796
TABOR Refund Liability (Note 8B)	31,358	173,346	706	706
Due To Other Governments	271,339	255,135	276,105	233,122
Due To Other Funds	-	-	-	-
Due To Component Units	645	623	543	424
Unearned Revenue	429,991	507,575	438,938	400,134
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	34,283	33,145	28,587	27,564
Claims and Judgments Payable	46,343	47,682	61,623	46,873
Leases Payable	37,393	36,378	33,551	26,579
Notes, Bonds, and COPs Payable	438,969	452,922	432,276	408,151
Other Postemployment Benefits	-	-	14,076	17,052
Other Current Liabilities	169,290	144,106	147,012	157,702
Total Current Liabilities	4,253,616	4,439,338	3,854,674	3,381,180
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	110	139	139	17
Accrued Compensated Absences	447,875	418,417	396,140	374,742
Claims and Judgments Payable	315,667	341,245	342,573	362,444
Capital Lease Payable	170,398	190,232	183,637	166,159
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	13,222	9,515	8,566	8,333
Notes, Bonds, and COPs Payable	5,654,558	5,750,219	5,672,452	5,509,485
Due to Component Units	1,631	1,661	1,743	1,755
Net Pension Liability	10,252,077	9,145,274		
Other Postemployment Benefits	289,133	241,779	181,511	177,176
Other Long-Term Liabilities	444,238	507,330	447,722	456,090
Total Noncurrent Liabilities	17,588,909	16,605,811	7,234,483	7,056,201
TOTAL LIABILITIES	21,842,525	21,045,149	11,089,157	10,437,381
DEFERRED INFLOW OF RESOURCES:	383,433	85,642	338	-
Net investment in Capital Assets:	16,381,819	15,072,637	13,778,909	13,678,490
Restricted for:				
Construction and Highway Maintenance	966,743	936,535	1,080,201	1,145,997
Education	772,593	1,206,223	1,752,791	1,265,476
Unemployment Insurance	740,049	620,575	402,770	218,076
Debt Service	153,722	132,200	84,614	41,552
Emergencies	251,328	251,328	187,150	195,350
Permanent Funds and Endowments:				
Expendable	163,412	157,571	15,172	18,044
Nonexpendable	1,034,250	984,551	864,844	755,723
Other Purposes	818,394	715,335	414,990	981,732
Unrestricted	(5,711,391)	(4,782,333)	4,358,072	3,346,997
TOTAL NET POSITION	$ 15,570,919	$ 15,294,622	$ 22,939,513	$ 21,647,437

TOTAL PRIMARY GOVERNMENT

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 3,980,768	$ 2,855,235	$ 3,139,115	$ 3,437,901	$ 4,188,383	$ 3,886,261
161,825	319,153	268,494	388,446	273,369	327,085
1,171,450	1,016,891	947,251	993,412	1,028,508	1,037,894
486,342	449,810	440,113	428,308	428,137	372,706
537,127	664,477	675,035	618,958	481,413	407,028
-	-	-	-	-	-
18,852	19,798	14,558	12,696	16,411	15,399
70,375	63,437	59,247	58,650	58,974	52,053
78,121	74,561	57,835	53,335	40,845	44,278
6,504,860	5,463,362	5,601,648	5,991,706	6,516,040	6,142,704
2,151,870	2,045,128	1,926,089	2,181,673	2,508,224	1,839,514
884,794	1,195,943	927,033	895,336	879,440	1,107,521
262,907	198,327	434,794	2,101,094	1,903,740	1,687,728
2,186,583	1,675,912	1,735,730	1,253,716	1,105,125	1,053,617
826,854	884,437	764,254	723,619	562,561	538,579
14,852,772	13,993,641	13,602,687	5,954,419	5,747,624	4,140,000
2,923,160	2,719,489	2,844,272	11,408,681	10,868,005	12,635,157
-	-	-	-	-	-
24,088,940	22,712,877	22,234,859	24,518,538	23,574,719	23,002,116
30,593,800	28,176,239	27,836,507	30,510,244	30,090,759	29,144,820
5,005	-	7,778	-	-	-
661,829	625,145	664,781	633,722	561,117	486,576
1,300,929	1,341,790	1,444,476	1,285,326	1,305,052	1,108,390
706	706	706	706	706	727
281,851	548,202	587,959	406,337	210,581	215,365
-	-	-	-	-	-
123	524	466	930	1,112	273
362,704	346,168	360,775	358,183	287,702	249,194
-	-	-	-	-	-
24,801	24,320	23,322	21,683	22,521	22,111
44,858	44,641	44,181	36,936	45,173	52,665
20,240	17,822	18,056	14,509	11,978	7,757
406,271	224,271	742,774	722,522	649,717	520,248
15,721	-	-	-	-	-
127,198	155,232	146,664	250,947	220,336	136,189
3,247,231	3,328,821	4,034,160	3,731,801	3,315,995	2,799,495
16	14	13	16	16	17
351,420	342,760	334,519	326,095	295,162	269,582
366,988	375,376	376,855	385,912	364,118	324,094
140,227	138,182	162,448	166,792	137,142	91,320
-	-	-	4,285	4,285	-
12,994	6,182	7,778	-	-	-
5,552,613	4,738,849	4,237,951	5,064,519	4,741,204	4,491,435
1,758	2,374	2,501	723	1,233	-
139,653	105,876	47,259	31,689	15,775	-
466,843	478,008	439,049	441,095	258,549	261,069
7,032,512	6,187,621	5,608,373	6,421,126	5,817,484	5,437,517
10,279,743	9,516,442	9,642,533	10,152,927	9,133,479	8,237,012
-	2,006	-	-	-	-
13,493,843	12,826,472	12,973,424	14,296,331	13,760,657	14,061,837
1,176,269	1,160,789	1,198,849	1,220,524	1,350,485	1,196,903
280,269	485,171	194,586	338,365	353,149	225,818
64,433	-	-	392,984	765,533	675,574
28,917	16,880	10,193	112,336	180,967	126,214
82,855	97,768	110,257	114,832	126,716	123,232
12,999	13,953	17,955	15,523	11,925	7,095
723,751	715,758	714,886	694,039	662,212	613,818
970,473	972,374	769,716	779,924	723,024	710,889
3,485,253	2,368,626	2,211,886	2,392,459	3,022,612	3,166,428
$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2015-16	2014-15	2013-14	2012-13
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 518,820	$ 501,319	$ 472,215	$ 447,232
Service Fees	1,139,226	879,139	901,839	965,614
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	195,256	201,021	181,098	248,520
Rents and Royalties	142,752	199,067	182,893	133,901
Sales of Products	3,303	3,390	2,141	2,851
Unemployment Surcharge	30,768	29,381	28,635	25,724
Other	143,251	131,151	144,949	127,083
Operating Grants and Contributions	8,578,146	7,726,668	6,782,914	5,860,052
Capital Grants and Contributions	819,321	817,469	728,544	700,548
TOTAL PROGRAM REVENUES	11,570,843	10,488,605	9,425,228	8,511,525
EXPENSES:				
General Government	485,611	449,261	447,359	555,507
Business, Community, and Consumer Affairs	777,458	711,558	641,182	584,300
Education	5,859,964	5,687,573	5,472,563	5,187,481
Health and Rehabilitation	2,898,841	822,556	720,997	697,795
Justice	2,209,158	2,075,534	1,840,989	1,655,057
Natural Resources	135,491	120,374	92,383	77,934
Social Assistance	8,825,599	9,627,104	8,089,560	7,174,711
Transportation	1,830,368	1,896,904	1,872,441	1,769,013
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	62,021	59,078	53,094	16,284
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest[3]	-	-	-	-
Lottery	-	-	-	-
Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	23,084,511	21,449,942	19,230,568	17,718,082
NET (EXPENSE) REVENUE	(11,513,668)	(10,961,337)	(9,805,340)	(9,206,557)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,940,839	2,762,222	2,754,977	2,498,006
Excise Taxes	290,276	267,858	236,761	240,895
Individual Income Tax	6,061,679	5,847,141	5,285,634	5,154,624
Corporate Income Tax	643,761	613,316	600,002	606,883
Other Taxes	410,277	673,275	617,612	453,305
Restricted Taxes	1,132,687	1,186,515	1,052,692	1,039,105
Unrestricted Investment Earnings (Losses)	15,705	11,992	17,312	16,842
Other General Revenues	107,005	96,613	112,958	97,402
Special and/or Extraordinary Items (See Note 35)	-	-	-	-
(Transfers-Out) / Transfers-In	(352,733)	(256,738)	(172,442)	(128,535)
Internal Capital Contributions	(1,583)	-	-	-
Permanent Fund Additions	80	401	397	741
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,247,993	11,202,595	10,505,903	9,979,268
TOTAL CHANGES IN NET POSITION	(265,675)	241,258	700,563	772,711
NET POSITION - BEGINNING	10,796,794	15,649,715	14,958,731	14,179,064
Prior Period Adjustment	58,147	(6,626)	1,718	6,956
Accounting Changes	-	(5,087,553)	(11,297)	-
NET POSITION - ENDING	$ 10,589,266	$ 10,796,794	$ 15,649,715	$ 14,958,731

GOVERNMENTAL ACTIVITIES

2011-12	2010-11	2009-10	2008-09	RESTATED 2007-08	2006-07
$ 442,793	$ 454,633	$ 419,866	$ 386,311	$ 374,521	$ 352,819
901,950	735,820	589,795	184,327	132,822	129,980
-	-	-	53	-	-
187,344	200,432	218,892	203,259	155,692	126,612
147,946	128,588	79,518	85,811	78,889	68,270
1,626	4,974	3,854	5,040	4,592	3,703
19,307	18,611	19,329	19,369	21,512	22,346
84,828	89,509	67,460	61,168	57,622	64,964
5,884,031	6,218,836	5,885,657	5,065,429	4,222,670	4,122,360
600,300	659,288	607,383	485,711	439,693	414,602
8,270,125	8,510,691	7,891,754	6,496,478	5,488,013	5,305,656
224,382	192,579	189,865	308,410	217,939	163,412
600,068	667,929	662,854	705,037	667,381	565,769
5,205,123	5,432,143	5,096,032	5,208,705	5,017,551	4,771,218
703,684	696,539	659,187	644,699	603,296	560,153
1,555,294	1,538,363	1,527,857	1,543,310	1,436,009	1,313,767
93,900	149,878	144,445	137,159	131,658	138,457
6,746,574	6,397,426	6,091,958	5,220,295	4,660,287	4,496,696
1,777,488	1,974,009	2,105,688	1,376,215	1,459,295	1,213,138
-	-	-	-	-	-
-	-	-	-	-	-
40,935	32,487	33,203	20,393	37,567	42,269
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,947,448	17,081,353	16,511,089	15,164,223	14,230,983	13,264,879
(8,677,323)	(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)	(7,959,223)
2,333,644	2,280,693	1,987,576	2,093,113	2,357,807	2,244,000
244,624	236,945	244,344	251,209	257,908	261,711
4,653,105	4,151,119	3,770,597	4,024,105	4,591,481	4,508,845
434,885	441,778	360,852	322,683	461,390	470,853
519,870	466,408	376,388	655,478	510,442	484,408
965,784	928,260	873,287	880,625	986,274	946,757
15,015	6,523	10,215	22,591	42,478	43,638
96,213	91,608	112,138	119,748	113,603	84,328
-	-	-	(5,616)	(6,843)	(25,915)
(135,407)	(110,266)	(94,993)	(114,685)	(77,732)	(98,926)
-	-	-	-	-	-
595	460	357	-	-	-
9,128,328	8,493,528	7,640,761	8,249,251	9,236,808	8,919,699
451,005	(77,134)	(978,574)	(418,494)	493,838	960,476
13,393,108	13,455,272	15,477,205	15,830,190	16,036,990	15,083,865
334,951	14,970	(594,624)	(118,647)	(393,912)	(7,351)
-	-	(448,735)	184,156	(306,726)	-
$ 14,179,064	$ 13,393,108	$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2015-16	2014-15	2013-14	2012-13
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 159,704	$ 157,971	$ 141,770	$ 133,315
Service Fees	1,297,576	1,145,897	1,068,966	958,451
Education - Tuition, Fees, and Sales	3,005,967	2,881,240	2,672,136	2,512,026
Fines and Forfeits	4,101	3,968	15,470	12,860
Rents and Royalties	40,077	41,944	39,675	47,881
Sales of Products	661,084	605,101	607,744	636,115
Unemployment Surcharge	603,708	698,609	736,985	725,854
Other	165,237	155,707	154,424	159,162
Operating Grants and Contributions	2,449,163	2,281,931	2,569,038	2,730,519
Capital Grants and Contributions	42,996	78,304	56,899	96,655
TOTAL PROGRAM REVENUES	8,429,613	8,050,672	8,063,107	8,012,838
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	6,446,902	6,004,484	5,618,507	5,258,665
Unemployment Insurance	531,607	530,130	756,484	1,055,148
CollegeInvest[1]	-	-	-	-
Lottery	517,847	474,578	477,434	501,010
Wildlife[2]	203,794	191,426	170,898	177,497
College Assist	320,774	338,631	341,684	407,229
Other Business-Type Activities	282,471	217,838	209,871	187,265
TOTAL EXPENSES	8,303,395	7,757,087	7,574,878	7,586,814
NET (EXPENSE) REVENUE	126,218	293,585	488,229	426,024
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	-	-	-	-
Excise Taxes	-	-	-	-
Individual Income Tax	-	-	-	-
Corporate Income Tax	-	-	-	-
Other Taxes	-	7	-	-
Restricted Taxes	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-
Other General Revenues	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	-	-	(22,186)	-
(Transfers-Out) / Transfers-In	352,733	256,738	172,442	128,535
Internal Capital Contributions	10,183	-	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	362,916	256,745	150,256	128,535
TOTAL CHANGES IN NET POSITION	489,134	550,330	638,485	554,559
NET POSITION - BEGINNING	4,497,828	7,289,798	6,688,706	6,139,998
Prior Period Adjustment	(5,309)	-	(6,922)	(5,851)
Accounting Changes	-	(3,342,300)	(30,471)	-
NET POSITION - ENDING	$ 4,981,653	$ 4,497,828	$ 7,289,798	$ 6,688,706

[1] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.
[2] – Parks and Wildlife after Fiscal Year 2010-11.

BUSINESS-TYPE ACTIVITIES

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 131,496	$ 120,910	$ 106,946	$ 119,611	$ 84,395	$ 84,302
865,326	874,990	607,485	681,807	667,504	575,555
2,406,696	2,243,375	1,999,358	1,957,505	1,867,806	1,734,996
9,561	1,945	2,836	1,118	999	1,174
65,236	29,507	24,648	29,908	32,399	26,271
624,407	592,794	590,758	560,364	579,935	520,838
828,530	791,317	491,716	363,241	398,046	403,641
152,448	153,321	167,930	173,354	165,804	140,376
3,165,718	3,689,492	3,957,310	2,214,186	1,728,669	1,685,417
132,067	25,432	24,619	20,220	9,426	22,263
8,381,485	8,523,083	7,973,606	6,121,314	5,534,983	5,194,833
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,068,481	4,755,385	4,451,541	4,153,282	3,865,244	3,661,270
1,571,321	2,141,728	2,496,188	1,138,621	354,967	316,577
-	-	68,650	78,647	116,286	96,720
495,847	470,480	456,352	435,156	447,101	401,969
160,933	108,425	105,037	112,369	109,800	96,515
403,023	402,648	410,027	399,576	326,080	199,677
196,542	191,123	170,410	171,635	173,928	163,727
7,896,147	8,069,789	8,158,205	6,489,286	5,393,406	4,936,455
485,338	453,294	(184,599)	(367,972)	141,577	258,378
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	36,963	39,446
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,493	(79,575)	-	-	-
135,407	110,266	94,993	114,685	77,732	98,926
-	-	-	-	-	-
-	-	-	-	-	-
135,407	111,759	15,418	114,685	114,695	138,372
620,745	565,053	(169,181)	(253,287)	256,272	396,750
5,264,683	4,746,480	4,880,112	5,127,090	4,870,818	4,456,800
254,570	(46,850)	35,549	6,309	-	17,267
-	-	-	-	-	-
$ 6,139,998	$ 5,264,683	$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,817

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2015-16	2014-15	2013-14	2012-13
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 678,524	$ 659,290	$ 613,985	$ 580,547
Service Fees	2,436,802	2,025,036	1,970,805	1,924,065
Education - Tuition, Fees, and Sales	3,005,967	2,881,240	2,672,136	2,512,026
Fines and Forfeits	199,357	204,989	196,568	261,380
Rents and Royalties	182,829	241,011	222,568	181,782
Sales of Products	664,387	608,491	609,885	638,966
Unemployment Surcharge	634,476	727,990	765,620	751,578
Other	308,488	286,858	299,373	286,245
Operating Grants and Contributions	11,027,309	10,008,599	9,351,952	8,590,571
Capital Grants and Contributions	862,317	895,773	785,443	797,203
TOTAL PROGRAM REVENUES	20,000,456	18,539,277	17,488,335	16,524,363
EXPENSES:				
General Government	485,611	449,261	447,359	555,507
Business, Community, and Consumer Affairs	777,458	711,558	641,182	584,300
Education	5,859,964	5,687,573	5,472,563	5,187,481
Health and Rehabilitation	2,898,841	822,556	720,997	697,795
Justice	2,209,158	2,075,534	1,840,989	1,655,057
Natural Resources	135,491	120,374	92,383	77,934
Social Assistance	8,825,599	9,627,104	8,089,560	7,174,711
Transportation	1,830,368	1,896,904	1,872,441	1,769,013
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	62,021	59,078	53,094	16,284
Higher Education	6,446,902	6,004,484	5,618,507	5,258,665
Unemployment Insurance	531,607	530,130	756,484	1,055,148
CollegeInvest[3]	-	-	-	-
Lottery	517,847	474,578	477,434	501,010
Wildlife	203,794	191,426	170,898	177,497
College Assist	320,774	338,631	341,684	407,229
Other Business-Type Activities	282,471	217,838	209,871	187,265
TOTAL EXPENSES	31,387,906	29,207,029	26,805,446	25,304,896
NET (EXPENSE) REVENUE	(11,387,450)	(10,667,752)	(9,317,111)	(8,780,533)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,940,839	2,762,222	2,754,977	2,498,006
Excise Taxes	290,276	267,858	236,761	240,895
Individual Income Tax	6,061,679	5,847,141	5,285,634	5,154,624
Corporate Income Tax	643,761	613,316	600,002	606,883
Other Taxes	410,277	673,282	617,612	453,305
Restricted Taxes	1,132,687	1,186,515	1,052,692	1,039,105
Unrestricted Investment Earnings (Losses)	15,705	11,992	17,312	16,842
Other General Revenues	107,005	96,613	112,958	97,402
Special and/or Extraordinary Items (See Note 35)	-	-	(22,186)	-
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	8,600	-	-	-
Permanent Fund Additions	80	401	397	741
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,610,909	11,459,340	10,656,159	10,107,803
TOTAL CHANGES IN NET POSITION	223,459	791,588	1,339,048	1,327,270
NET POSITION - BEGINNING	15,294,622	22,939,513	21,647,437	20,319,062
Prior Period Adjustment	52,838	(6,626)	(5,204)	1,105
Accounting Changes	-	(8,429,853)	(41,768)	-
NET POSITION - ENDING	$ 15,570,919	$ 15,294,622	$ 22,939,513	$ 21,647,437

TOTAL PRIMARY GOVERNMENT

2011-12	2010-11	2009-10	2008-09	RESTATED 2007-08	2006-07
$ 574,289	$ 575,543	$ 526,812	$ 505,922	$ 458,916	$ 437,121
1,767,276	1,610,810	1,197,280	866,134	800,326	705,535
2,406,696	2,243,375	1,999,358	1,957,558	1,867,806	1,734,997
196,905	202,377	221,728	204,377	156,691	127,786
213,182	158,095	104,166	115,719	111,288	94,541
626,033	597,768	594,612	565,404	584,527	524,541
847,837	809,928	511,045	382,610	419,558	425,987
237,276	242,830	235,390	234,522	223,426	205,340
9,049,749	9,908,328	9,842,967	7,279,615	5,951,339	5,807,777
732,367	684,720	632,002	505,931	449,119	436,865
16,651,610	17,033,774	15,865,360	12,617,792	11,022,996	10,500,490
224,382	192,579	189,865	308,410	217,939	163,412
600,068	667,929	662,854	705,037	667,381	565,769
5,205,123	5,432,143	5,096,032	5,208,705	5,017,551	4,771,218
703,684	696,539	659,187	644,699	603,296	560,153
1,555,294	1,538,363	1,527,857	1,543,310	1,436,009	1,313,767
93,900	149,878	144,445	137,159	131,658	138,457
6,746,574	6,397,426	6,091,958	5,220,295	4,660,287	4,496,696
1,777,488	1,974,009	2,105,688	1,376,215	1,459,295	1,213,138
40,935	32,487	33,203	20,393	37,567	42,269
5,068,481	4,755,385	4,451,541	4,153,282	3,865,244	3,661,270
1,571,321	2,141,728	2,496,188	1,138,621	354,967	316,577
-	-	68,650	78,647	116,286	96,720
495,847	470,480	456,352	435,156	447,101	401,969
160,933	108,425	105,037	112,369	109,800	96,515
403,023	402,648	410,027	399,576	326,080	199,677
196,542	191,123	170,410	171,635	173,928	163,727
24,843,595	25,151,142	24,669,294	21,653,509	19,624,389	18,201,334
(8,191,985)	(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)	(7,700,844)
2,333,644	2,280,693	1,987,576	2,093,113	2,357,807	2,244,000
244,624	236,945	244,344	251,209	257,908	261,711
4,653,105	4,151,119	3,770,597	4,024,105	4,591,481	4,508,845
434,885	441,778	360,852	322,683	461,390	470,853
519,870	466,408	376,388	655,478	547,405	523,854
965,784	928,260	873,287	880,625	986,274	946,757
15,015	6,523	10,215	22,591	42,478	43,638
96,213	91,608	112,138	119,748	113,603	84,328
-	1,493	(79,575)	(5,616)	(6,843)	(25,915)
-	-	-	-	-	-
-	-	-	-	-	-
595	460	357	-	-	-
9,263,735	8,605,287	7,656,179	8,363,936	9,351,503	9,058,071
1,071,750	487,919	(1,147,755)	(671,781)	750,110	1,357,227
18,657,791	18,201,752	20,357,317	20,957,280	20,907,808	19,540,665
589,521	(31,880)	(559,075)	(112,338)	(393,912)	9,916
-	-	(448,735)	184,156	(306,726)	-
$ 20,319,062	$ 18,657,791	$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2015-16	2014-15	2013-14	2012-13
REVENUES:				
Taxes	$ 11,471	$ 11,205	$ 10,596	$ 10,018
Less: Excess TABOR Revenues	-	170	-	-
Licenses, Permits, and Fines	810	801	758	789
Charges for Goods and Services	1,144	885	905	970
Rents (reported in 'Other' prior to FY05)	143	199	183	134
Investment Income	139	99	115	19
Federal Grants and Contracts	9,047	8,283	7,183	6,428
Unclaimed Property Receipts	65	61	53	37
Other	321	329	365	263
TOTAL REVENUES	23,140	22,032	20,158	18,658
EXPENDITURES:				
Current:				
General Government	324	305	331	325
Business, Community and Consumer Affairs	474	469	395	375
Education	852	785	730	674
Health and Rehabilitation	1,784	699	658	641
Justice	1,741	1,648	1,605	1,422
Natural Resources	107	103	107	99
Social Assistance	8,726	8,627	7,416	6,488
Transportation	1,331	1,282	1,203	1,065
Capital Outlay	191	325	298	299
Intergovernmental:				
Cities	425	421	412	297
Counties	1,656	1,627	1,573	1,504
School Districts	4,995	4,909	4,475	4,235
Other	227	205	202	323
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	280	270	261	247
TOTAL EXPENDITURES	23,113	21,675	19,666	17,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27	357	492	664
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,915	4,535	5,405	5,750
Transfers-Out:				
Higher Education	(181)	(181)	(143)	(135)
Other	(5,079)	(4,607)	(5,390)	(5,728)
Face Amount of Debt Issued	11	-	97	196
Bond Premium/Discount	-	-	6	9
Capital Lease Debt Issuance	-	-	25	1
Sale of Capital Assets	7	3	27	31
Insurance Recoveries	5	13	2	1
Debt Refunding Issuance	-	-	112	31
Debt Refunding Premium Proceeds	-	-	-	-
Debt Refunding Payments	-	-	-	(31)
TOTAL OTHER FINANCING SOURCES (USES)	(322)	(237)	141	125
NET CHANGE IN FUND BALANCE	(295)	120	633	789
FUND BALANCE - BEGINNING	6,847	6,734	6,100	5,293
Prior Period Adjustments	58	(7)	-	18
Accounting Changes	-	-	1	-
FUND BALANCE - ENDING	$ 6,609	$ 6,847	$ 6,734	$ 6,100

[1] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 270.

[2] – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

[3] – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

RESTATED 2011-12	RESTATED 2010-11[3]	RESTATED 2009-10	2008-09[2]	2007-08	2006-07
$ 9,182	$ 8,430	$ 7,640	$ 8,231	$ 9,203	$ 8,936
-	-	-	-	-	-
724	745	734	701	643	575
892	730	552	150	104	99
148	129	80	86	79	68
120	97	199	258	316	272
6,223	6,917	7,023	5,480	4,308	4,073
43	40	42	58	-	-
254	221	192	195	179	320
17,586	17,309	16,462	15,159	14,832	14,343
359	560	775	511	123	251
363	388	369	332	311	303
661	778	855	879	802	713
626	592	583	608	561	530
1,322	1,314	1,315	1,285	1,195	1,088
90	132	126	121	112	107
6,065	5,655	4,454	3,836	3,669	3,400
982	1,064	1,017	1,074	1,055	950
459	329	240	308	243	124
287	300	281	294	289	239
1,371	1,478	2,253	2,043	1,799	1,721
4,199	4,303	4,364	4,143	3,814	3,719
177	185	219	185	258	242
-	-	-	-	-	-
236	208	194	189	208	213
17,197	17,286	17,045	15,808	14,439	13,600
389	23	(583)	(649)	393	743
4,622	4,776	5,333	5,179	4,298	4,202
(133)	(135)	(125)	(135)	(131)	(120)
(4,612)	(4,731)	(5,264)	(5,148)	(4,237)	(4,137)
156	218	559	-	-	-
13	-	8	-	-	-
17	17	-	11	18	4
14	-	-	-	1	-
6	2	4	2	2	1
126	-	-	-	-	-
19					
(144)	-	-	-	-	-
84	147	515	(91)	(49)	(50)
473	170	(68)	(740)	344	693
4,842	4,085	4,785	5,312	5,012	4,319
(22)	(4)	(41)	(1)	(44)	-
-	591	-	214	-	-
$ 5,293	$ 4,842	$ 4,676	$ 4,785	$ 5,312	$ 5,012

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

(DOLLARS IN MILLIONS)

	2015-16	2014-15	2013-14	2012-13
Income Tax:				
Individual	$ 5,993	$ 5,888	$ 5,273	$ 5,149
Corporate	606	635	665	597
Net Income Tax	6,599	6,523	5,938	5,746
Sales, Use, and Excise Taxes	2,996	2,990	2,763	2,549
Less: Excess TABOR Revenues	-	(170)	-	-
Net Sales, Use, and Excise Taxes	2,996	2,820	2,763	2,549
Estate Taxes	-	-	-	-
Insurance Tax	280	257	239	210
Gaming and Other Taxes	16	14	12	12
Investment Income	13	9	15	17
Medicaid Provider Revenues	-	-	-	-
Other	26	19	25	21
TOTAL GENERAL REVENUES	$ 9,930	$ 9,642	$ 8,992	$ 8,555
Percent Change From Previous Year	3.0%	7.2%	5.1%	10.6%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	66.5%	66.5%	66.0%	67.2%
Sales, Use, and Excise Taxes	30.1	30.5	30.7	29.8
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.8	2.6	2.7	2.5
Other Taxes	0.2	0.1	0.1	0.1
Interest	0.1	0.1	0.2	0.2
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.3	0.2	0.3	0.2
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 4,633	$ 4,154	$ 3,777	$ 4,021	$ 4,600	$ 4,510
457	366	350	265	474	464
5,090	4,520	4,127	4,286	5,074	4,974
2,387	2,323	2,072	1,982	2,173	2,076
-	-	-	-	-	-
2,387	2,323	2,072	1,982	2,173	2,076
-	-	-	-	-	1
197	190	187	192	188	179
20	20	16	-	-	7
14	8	10	9	18	28
-	-	-	-	-	-
26	25	44	56	52	48
$ 7,734	$ 7,086	$ 6,456	$ 6,525	$ 7,505	$ 7,313
9.1%	9.8%	-1.1%	-13.1%	2.6%	8.4%
65.8%	63.8%	63.9%	65.7%	67.6%	68.0%
30.9	32.7	32.1	30.4	29.0	28.4
0.0	0.0	0.0	0.0	0.0	0.0
2.5	2.7	2.9	2.9	2.5	2.4
0.3	0.3	0.2	0.0	0.0	0.1
0.2	0.1	0.2	0.1	0.2	0.4
0.0	0.0	0.0	0.0	0.0	0.0
0.3	0.4	0.7	0.9	0.7	0.7
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)

	2015-16	2014-15	2013-14	2012-13
Department:[1]				
Agriculture	$ 9,795	$ 8,633	$ 7,697	$ 6,975
Corrections	758,078	717,579	675,706	652,394
Education	3,477,981	3,357,324	3,153,609	3,014,681
Governor	34,435	30,267	22,819	18,555
Health Care Policy and Financing	2,442,500	2,274,875	2,100,771	1,829,776
Higher Education	856,849	761,306	658,901	628,565
Human Services	922,337	877,162	812,603	753,225
Judicial Branch	479,199	441,700	386,870	354,119
Labor and Employment	7,754	660	50	-
Law	14,423	13,457	12,127	10,355
Legislative Branch	43,466	41,132	38,712	35,957
Local Affairs	25,455	22,244	17,540	10,976
Military and Veterans Affairs	7,918	7,792	7,094	6,576
Natural Resources	27,293	26,216	25,141	23,620
Personnel & Administration	10,846	7,601	31,407	6,588
Public Health and Environment	49,232	59,383	53,588	31,199
Public Safety	114,264	126,747	165,240	85,595
Regulatory Agencies	6,026	6,007	1,730	1,674
Revenue	158,494	97,249	73,626	55,078
State	-	-	-	-
Treasury	21,269	5,684	108,870	27,650
Transfer to Capital Construction Fund	271,130	248,502	186,715	61,411
Transfer to Various Cash Funds	90,196	67,555	260,272	1,086,051
Transfer to the Highway Users Tax Fund	-	-	-	-
Other Transfers and Nonoperating Disbursements	127,795	127,795	126,263	262,406
TOTALS	$ 9,956,735	$9,326,870	$8,927,351	$ 8,963,426
Percent Change	6.8%	4.5%	-0.4%	23.6%
(AS PERCENT OF TOTAL)				
Education	34.9%	36.0%	35.3%	33.6%
Health Care Policy and Financing	24.5	24.4	23.5	20.4
Higher Education	8.6	8.2	7.4	7.0
Human Services	9.3	9.4	9.1	8.4
Corrections	7.6	7.7	7.6	7.3
Transfer to Capital Construction Fund	2.7	2.7	2.1	0.7
Transfer to Various Cash Funds	0.9	0.7	2.9	12.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0
Judicial	4.8	4.7	4.3	4.0
Revenue	1.6	1.0	0.8	0.6
All Others	5.1	5.2	7.0	5.9
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2011-12	RESTATED 2010-11	2009-10	2008-09	2007-08	2006-07
$ 5,152	$ 4,658	$ 5,915	$ 6,809	$ 7,124	$ 5,197
647,313	657,559	563,570	637,292	626,246	577,482
2,833,433	2,962,954	3,238,879	3,214,951	3,023,255	2,882,876
9,699	11,600	13,781	13,342	17,346	11,991
1,685,679	1,267,889	1,152,245	1,311,702	1,482,803	1,369,321
623,963	705,085	428,784	661,974	747,717	693,999
703,676	710,966	751,149	776,394	749,974	718,366
337,039	325,173	323,146	328,056	300,674	265,161
-	-	-	-	-	108
9,341	9,313	9,133	8,705	8,474	8,975
34,672	31,736	32,504	34,944	31,139	29,880
10,448	10,579	10,854	12,276	10,895	9,973
5,355	4,969	5,263	5,637	5,407	5,050
23,400	26,233	25,515	30,558	30,086	28,550
3,935	4,823	5,139	5,337	10,934	9,385
27,742	27,165	26,548	26,634	23,596	23,081
81,993	80,239	79,459	78,874	72,806	67,169
1,597	1,529	1,429	1,451	1,400	1,273
55,596	52,540	54,187	67,092	73,593	65,398
-	-	-	-	-	-
4,914	4,140	7,784	10,643	13,902	12,403
49,298	11,985	169	39,396	183,443	291,467
72,000	296,872	8,000	10,281	327	3,748
-	-	-	28,965	166,182	291,179
25,479	19,422	20,555	102,966	137,747	130,598
$ 7,251,724	$ 7,227,429	$ 6,764,008	$ 7,414,279	$ 7,725,070	$ 7,502,630
0.3%	6.9%	-8.8%	-4.0%	3.0%	13.3%
39.1%	41.0%	47.9%	43.4%	39.1%	38.4%
23.2	17.5	17.0	17.7	19.2	18.3
8.6	9.8	6.3	8.9	9.7	9.3
9.7	9.8	11.1	10.5	9.7	9.6
8.9	9.1	8.3	8.6	8.1	7.7
0.7	0.2	0.0	0.5	2.4	3.9
1.0	4.1	0.1	0.1	0.0	0.0
0.0	0.0	0.0	0.4	2.2	3.9
4.6	4.5	4.8	4.4	3.9	3.5
0.8	0.7	0.8	0.9	1.0	0.9
3.4	3.3	3.7	4.6	4.7	4.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	-
Unreserved Undesignated:				
General Fund	-	-	-	-
Unreserved:				
General Fund	-	-	-	-
Nonspendable:				
Inventories	7,522	8,894	8,721	9,931
Permanent Fund Principal	-	-	-	-
Prepaids	37,977	40,971	38,535	22,654
Restricted	497,814	398,948	468,758	487,161
Committed	513,986	705,844	411,362	279,352
Assigned	19,283	20,731	7,651	7
Unassigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	1,076,582	1,175,388	935,027	799,105
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Debt Service	-	-	-	-
Statutory Purposes	-	-	-	-
Emergencies	-	-	-	-
Funds Reported as Restricted	-	-	-	-
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	-	-	-
Nonmajor Permanent Funds	-	-	-	-
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	-	-
Reported in Nonmajor Special Revenue Funds	-	-	-	-
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-	-
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	19,171	-	-	-
Inventories	45,026	44,436	43,681	44,262
Permanent Fund Principal	1,043,619	971,676	868,383	760,160
Prepaids	25,298	25,849	29,365	32,697
Restricted	1,582,619	1,942,973	2,546,717	2,783,009
Committed	2,817,110	2,686,468	2,310,902	1,680,986
Assigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	5,532,843	5,671,402	5,799,048	5,301,114
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	$ 6,609,425	$ 6,846,790	$ 6,734,075	$ 6,100,219

[1] – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance.

[2] – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2011-12	2010-11[2]	2009-10	2008-09	2007-08	2006-07
$ -	$ -	$ 5,721	$ 2,195	$ 16,487	$ 11,912
-	-	-	1	7	13
-	-	-	148,212	151,721	267,020
-	-	23,031	18,650	35,559	38,593
-	-	(30,822)	155,436 [1]	-	95,779
-	-	17,854	10,939	3,639	-
6,942	8,742				
-	-				
24,175	33,009				
503,449	542,997				
331,419	39,458				
20	109				
359,421	(21,468)				
-	-	28,752	169,058	203,774	317,538
-	-	(12,968)	166,375	3,639	95,779
1,225,426	602,847	15,784	335,433	207,413	413,317

$ -	$ -	$ 1,052,572	$ 1,043,396	$ 966,477	$ 821,112
-	-	584,828	515,062	425,830	385,248
-	-	4,093	558	558	558
-	-	325,463	40,921	109,322	130,000
-	-	94,000	93,550	93,000	85,760
-	-	1,151,448	1,445,739	1,902,755	1,669,326
-	-	57,148	53,498	54,676	72,870
-	-	(35,611)	54,687	134,470	199,126
-	-	1,302,178	1,117,248	1,391,483	1,233,276
-	-	10,586	8,500	2,326	1,782
-	-	34,487	30,327	13,385	-
-	-	40,778	23,719	8,751	-
-	-	-	-	-	-
-	-	38,541	22,875	1,571	-
-	-	-	-	-	-
8,690	9,839				
737,239	658,883				
28,665	21,540				
1,673,490	1,988,088				
1,619,397	1,560,775				
-	-	-	-	-	-
-	-	3,212,404	3,139,226	3,497,942	3,092,004
-	-	1,448,107	1,310,854	1,606,662	1,507,054
4,067,481	4,239,125	4,660,511	4,450,080	5,104,604	4,599,058
-	-	3,241,156	3,308,284	3,701,716	3,409,542
-	-	1,435,139	1,477,229	1,610,301	1,602,833
$ 5,292,907	$ 4,841,972	$ 4,676,295	$ 4,785,513	$ 5,312,017	$ 5,012,375

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2015-16	2014-15	Restated 2013-14	2012-13
DISTRICT REVENUES:				
Exempt District Revenues	$ 18,170,415	$ 16,980,420	$ 16,833,308	$ 16,446,833
Nonexempt District Revenues	12,824,408	12,530,772	11,683,130	11,107,341
TOTAL DISTRICT REVENUES	30,994,823	29,511,192	28,516,438	27,554,174
Percent Change In Nonexempt District Revenues	2.3%	7.3%	5.3%	8.1%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	29,461,275	28,176,544	16,833,308	16,162,555
Nonexempt District Expenditures	13,076,457	12,237,753	11,008,327	10,548,250
TOTAL DISTRICT EXPENDITURES	42,537,732	40,414,297	27,841,635	26,710,805
Percent Change In Nonexempt District Expenditures	6.9%	11.2%	1.4%	7.7%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (11,542,909)	$ (10,903,105)	$ 674,803	$ 843,369
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 9,976,946	$ 9,566,586	$ 9,247,466	$ 8,799,754
Adjustments To Prior Year Limit[1]	(45,595)	(962)	(152)	(27,952)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	9,931,351	9,565,624	9,247,314	8,771,802
Allowable Growth Rate (Population Plus Inflation)	4.4%	4.3%	3.3%	5.4%
Current Fiscal Year Spending Limitation	10,368,330	9,976,946	9,552,475	9,245,479
Adjustments To Current Year Limit	59,276	-	14,111	1,987
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	10,427,606	9,976,946	9,566,586	9,247,466
EXCESS STATE REVENUE CAP (ESRC)[2]	12,946,499	12,361,032	11,852,383	11,460,242
NONEXEMPT DISTRICT REVENUES	12,824,408	12,530,772	11,683,130	11,107,341
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	2,396,802	2,553,826	2,116,544	1,859,875
Amount Over(Under) Excess State Revenue Cap	(122,091)	169,740	(169,253)	(352,901)
Correction Of Prior Years' Refunds		3,606	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	$ -	$ 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 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 15,017,772	$ 15,532,632	$ 16,056,039	$ 14,496,192	$ 12,126,729	$ 11,759,914
10,273,184	9,424,764	8,567,941	9,102,354	9,998,559	9,641,867
25,290,956	24,957,396	24,623,980	23,598,546	22,125,288	21,401,781
9.0%	10.0%	-5.9%	-9.0%	3.7%	5.2%
15,017,772	15,532,632	16,056,039	14,496,192	12,126,729	11,759,914
9,791,616	9,330,892	8,638,571	10,168,409	9,533,890	8,847,334
24,809,388	24,863,524	24,694,610	24,664,601	21,660,619	20,607,248
4.9%	8.0%	-15.0%	6.7%	7.8%	10.2%
$ 481,568	$ 93,872	$ (70,630)	$ (1,066,055)	$ 464,670	$ 794,533
$ 8,654,192	$ 8,567,941	$ 9,102,354	$ 8,829,131	$ 8,333,827	$ 8,045,256
(26,982)	(16,368)	(422,016)	(10,365)	(1,054)	(173)
8,627,210	8,551,573	8,680,338	8,818,766	8,332,773	8,045,083
2.0%	1.2%	5.8%	4.1%	5.5%	3.5%
8,799,754	8,654,192	9,183,797	9,180,336	8,791,075	8,326,662
-	-	-	23,505	38,056	7,165
8,799,754	8,654,192	9,183,797	9,203,841	8,829,131	8,333,827
10,871,425	10,684,856				
10,273,184	9,424,764	8,567,941	9,102,354	9,998,559	9,641,867
1,473,430	770,572	(615,856)	(101,488)	1,169,428	1,308,040
(598,242)	(1,260,092)				
-	-	-	-	-	-
-	-	-	-	1,169,428	1,308,040
$ -	$ -	$ -	$ -	$ -	$ -

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2004 to 2013

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

	2013[2]		2012		2011		2010	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	20,745	0.0%	27,782	0.0%	29,544	0.0%	30,444	0.0%
$0 to $5,000	75,579	0.0%	71,367	0.0%	75,051	0.0%	75,736	0.0%
$5,001 to $10,000	116,468	0.0%	107,200	0.0%	110,088	0.0%	115,075	0.0%
$10,001 to $15,000	143,151	0.2%	134,062	0.2%	136,559	0.2%	140,054	0.2%
$15,001 to $20,000	147,443	0.6%	142,158	0.6%	144,355	0.6%	144,469	0.6%
$20,001 to $25,000	142,264	1.0%	135,486	0.8%	138,462	1.0%	141,184	1.1%
$25,001 to $35,000	253,592	3.1%	246,822	2.7%	247,916	3.0%	248,319	3.3%
$35,001 to $50,000	288,777	6.2%	282,264	5.5%	281,297	6.1%	278,127	6.5%
$50,001 to $75,000	324,317	11.6%	316,737	10.2%	314,902	11.3%	311,671	12.0%
$75,001 to $100,000	214,588	11.8%	213,250	10.6%	209,322	11.6%	204,879	12.2%
$100,000 and Over	411,071	65.5%	410,924	69.4%	382,180	66.2%	354,393	64.1%
TOTAL	2,137,995	100.0%	2,088,052	100.0%	2,069,676	100.0%	2,044,351	100.0%

Source: Colorado Department of Revenue

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

[2] – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2006 to 2015

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

	2015		2014		2013		2012	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	6,122	0.1%	6,300	0.1%	6,290	0.1%	6,112	0.1%
Mining	14,321	2.8%	13,770	2.9%	13,580	2.2%	13,670	2.0%
Public Utilities	17,310	2.7%	16,375	3.0%	17,096	3.1%	17,899	3.9%
Construction Trades	64,553	1.7%	55,275	1.5%	56,156	1.4%	56,937	1.2%
Manufacturing	204,113	5.2%	191,868	5.2%	196,833	5.1%	192,407	4.9%
Wholesale Trade	160,778	6.0%	150,726	5.9%	150,624	5.8%	148,072	5.6%
Retail Trade	714,268	51.4%	660,504	51.4%	682,237	51.8%	684,797	51.5%
Transportation & Warehousing	6,805	0.3%	6,355	0.3%	5,986	0.3%	5,876	0.2%
Information Producers/Distributors	349,039	4.5%	327,070	4.9%	326,062	5.2%	320,218	5.4%
Finance & Insurance	66,316	0.7%	71,241	0.7%	78,833	0.7%	76,887	0.8%
Real Estate, Rental, & Leasing Services	178,386	3.7%	157,759	3.5%	152,922	3.3%	151,893	3.2%
Professional, Scientific, & Technical Services	130,689	1.3%	125,414	1.4%	134,195	1.5%	135,037	1.7%
Bus. Admin., Support, Waste/Remediation Services	52,471	0.6%	47,551	0.5%	47,193	0.5%	45,392	0.6%
Educational Services	8,508	0.1%	9,103	0.1%	10,344	0.2%	10,880	0.2%
Health Care & Social Assistance Services	20,155	0.2%	21,087	0.2%	21,545	0.2%	23,416	0.2%
Arts, Entertainment, & Recreation Services	22,730	0.6%	20,945	0.6%	23,024	0.6%	24,063	0.6%
Hotel & Other Accommodation Services	30,508	3.9%	28,390	3.8%	29,733	3.7%	30,484	3.7%
Food & Drinking Services	158,789	11.9%	150,446	11.8%	163,045	12.0%	168,673	11.9%
Other Personal Services	117,059	2.2%	110,531	2.1%	117,712	2.2%	118,080	2.2%
Government Services	2,153	0.1%	2,052	0.1%	2,169	0.1%	2,150	0.1%
TOTAL	2,325,073	100.0%	2,172,762	100.0%	2,235,579	100.0%	2,232,943	100.0%

Source: Colorado Department of Revenue

2009		2008		2007		2006		2005		2004	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
33,536	0.0%	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%
82,340	0.0%	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%
119,531	0.0%	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%
139,504	0.3%	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%
143,006	0.7%	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%
139,626	1.2%	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%
245,832	3.7%	248,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%
278,767	7.2%	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%
311,321	13.3%	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%
199,941	13.3%	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%
319,821	60.3%	317,476	57.8%	330,337	66.2%	290,548	61.2%	256,424	59.2%	227,936	54.6%
2,013,225	100.0%	1,991,670	100.0%	1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%

COLORADO TAX RATES[1]
2007 to 2016

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people. Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2011		2010		2009		2008		2007		2006	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
4,995	0.1%	3,787	0.1%	3,595	0.1%	3,653	0.1%	3,632	0.1%	3,808	0.1%
9,775	1.7%	5,543	1.4%	5,324	1.9%	4,491	1.9%	4,104	1.7%	3,775	1.4%
14,073	3.9%	10,177	3.6%	9,721	3.5%	9,517	3.9%	8,725	3.0%	7,904	3.1%
45,046	1.2%	33,065	1.1%	31,811	1.3%	31,949	1.5%	30,929	1.5%	32,291	1.6%
152,038	4.7%	96,062	4.2%	88,504	4.7%	84,393	4.8%	87,475	4.9%	85,822	4.8%
112,066	5.8%	72,331	5.7%	72,914	6.6%	72,432	6.7%	74,498	6.7%	78,156	6.8%
542,876	51.5%	385,914	51.8%	385,320	49.5%	395,100	49.9%	399,395	51.5%	409,029	52.2%
4,616	0.2%	3,831	0.2%	3,916	0.3%	4,014	0.3%	4,733	0.3%	5,346	0.4%
264,926	5.6%	167,660	6.3%	171,984	6.3%	174,348	5.9%	170,488	5.8%	163,953	5.8%
59,750	0.8%	35,443	1.4%	35,103	1.4%	33,499	1.5%	34,308	1.2%	37,478	1.0%
123,870	3.3%	84,376	3.4%	82,509	3.7%	79,541	3.8%	71,969	3.8%	72,110	3.7%
106,421	1.8%	64,231	1.5%	64,002	1.6%	65,592	1.6%	66,352	1.8%	71,590	1.8%
35,700	0.6%	24,102	0.6%	24,615	0.7%	23,401	0.7%	23,014	0.7%	23,497	0.6%
8,674	0.2%	5,914	0.2%	6,068	0.2%	6,526	0.2%	5,566	0.2%	5,136	0.2%
19,084	0.2%	16,018	0.2%	15,572	0.2%	13,013	0.2%	12,233	0.2%	12,290	0.2%
21,477	0.6%	17,230	0.6%	17,301	0.6%	17,391	0.6%	17,196	0.6%	16,957	0.6%
24,183	3.6%	21,282	3.5%	21,153	3.6%	21,221	3.6%	20,995	3.5%	20,717	3.3%
143,273	11.8%	130,911	11.8%	129,780	11.4%	129,123	10.5%	125,682	10.2%	121,234	10.0%
101,431	2.2%	86,316	2.2%	86,861	2.3%	86,647	2.2%	85,361	2.1%	85,499	2.1%
2,731	0.2%	6,290	0.2%	5,655	0.1%	6,044	0.1%	7,445	0.2%	10,479	0.3%
1,797,005	100.0%	1,270,483	100.0%	1,261,708	100.0%	1,261,895	100.0%	1,254,100	100.0%	1,267,071	100.0%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
DEBT SERVICE EXPENDITURES:				
Principal	$ 210,390	$ 194,818	$ 184,106	$ 163,939
Interest	69,729	74,689	77,005	82,660
TOTAL DEBT SERVICE EXPENDITURES	$ 280,119	$ 269,507	$ 261,111	$ 246,599
Percent Change Over Previous Year	3.9%	3.2%	5.9%	4.4%
TOTAL NONCAPITAL EXPENDITURES	22,036,237	20,480,883	19,001,514	17,329,054
TOTAL CAPITAL EXPENDITURES	1,076,958	1,194,596	664,762	653,157
TOTAL GOVERNMENTAL EXPENDITURES	23,113,195	21,675,479	19,666,276	17,982,211
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	1.0%	1.0%	0.9%	0.9%
Interest	0.3%	0.4%	0.4%	0.5%
Total Debt Service Expenditures	1.3%	1.3%	1.4%	1.4%

TOTAL OUTSTANDING DEBT[1,2,4]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2015-16	2014-15	2013-14	2012-13
Governmental Activities:				
Revenue Backed Debt	$ 127,925	$ 289,789	$ 443,881	$ 574,147
Certificates of Participation	1,205,172	1,227,828	1,267,869	1,192,193
Capital Leases	150,665	172,329	174,996	151,010
Notes and Mortgages	13,205	15,250	17,385	19,220
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,496,967	1,705,196	1,904,131	1,936,570
Business-Type Activities:				
Revenue Backed Debt	4,320,596	4,242,726	3,967,023	3,724,951
Certificates of Participation	372,661	399,231	403,761	403,603
Capital Leases	57,126	54,281	42,192	41,728
Notes and Mortgages	53,968	28,317	4,810	3,522
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,804,351	4,724,555	4,417,786	4,173,804
Total Primary Government:				
Revenue Backed Debt	4,448,521	4,532,515	4,410,904	4,299,098
Certificates of Participation	1,577,833	1,627,059	1,671,630	1,595,796
Capital Leases	207,791	226,610	217,188	192,738
Notes and Mortgages	67,173	43,567	22,195	22,742
TOTAL OUTSTANDING DEBT[1]	$ 6,301,318	$ 6,429,751	$ 6,321,917	$ 6,110,374
Percent Change Over Previous Year	-2.0%	1.7%	3.3%	-0.1%
Colorado Population (In Thousands) Restated for Census	5,268	5,268	5,268	5,273
Per Capita Debt (Dollars Per Person) Restated for Census	$1,196	$1,221	$1,200	$1,159
Per Capita Income (Thousands Per Person)	$50.3	$50.3	$46.9	$46.1
Per Capita Debt as a Percent of Per Capita Income	2.4%	2.4%	2.6%	2.5%

1 – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

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

2011-12	2010-11	2009-10	RESTATED 2008-09	2007-08	RESTATED 2006-07
$ 150,690	$ 124,993	$ 116,083	$ 109,801	$ 104,924	$ 100,681
85,586	82,829	77,919	78,719	102,652	112,145
$ 236,276	$ 207,822	$ 194,002	$ 188,520	$ 207,576	$ 212,826
13.7%	7.1%	2.9%	-9.2%	-2.5%	4.4%
16,470,142	16,654,138	16,566,769	15,448,232	14,196,496	13,365,782
726,501	631,546	478,179	359,518	242,572	233,914
17,196,643	17,285,684	17,044,948	15,807,750	14,439,068	13,599,696
0.9%	0.7%	0.7%	0.7%	0.7%	0.8%
0.5%	0.5%	0.5%	0.5%	0.7%	0.8%
1.4%	1.2%	1.2%	1.2%	1.4%	1.6%

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
$ 739,138	$ 869,282	$ 992,436	$ 1,106,973	$ 1,216,006	$ 1,319,718
1,018,456	897,632	689,973	162,053	172,864	183,203
121,429	107,588	97,130	91,813	60,031	30,456
19,369	-	515,000	515,000	460,000	345,000
1,898,392	1,874,502	2,294,539	1,875,839	1,908,901	1,878,377
3,753,617	2,762,166	2,306,693	3,551,588	3,325,690	2,935,383
420,951	430,537	432,698	446,656	210,150	218,916
39,038	48,416	83,374	93,773	93,374	68,621
7,353	3,503	43,925	4,771	6,211	9,463
4,220,959	3,244,622	2,866,690	4,096,788	3,635,425	3,232,383
4,492,755	3,631,448	3,299,129	4,658,561	4,541,696	4,255,101
1,439,407	1,328,169	1,122,671	608,709	383,014	402,119
160,467	156,004	180,504	185,586	153,405	99,077
26,722	3,503	558,925	519,771	466,211	354,463
$ 6,119,351	$ 5,119,124	$ 5,161,229	$ 5,972,627	$ 5,544,326	$ 5,110,760
19.5%	-0.8%	-13.6% [3]	7.7%	8.5%	9.2%
5,188	5,118	5,048	4,972	4,890	4,804
$1,180	$1,000	$1,022	$1,201	$1,134	$1,064
$46.3	$44.2	$41.7	$41.5	$43.4	$42.2
2.6%	2.3%	2.5%	2.9%	2.6%	2.5%

[3] – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

[4] – Beginning in Fiscal Year 2013-14 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)							
2015-16	$ 1,566,285	$ 1,437,505	$ 128,780	$ 126,100	$ 2,680	$ 128,780	1.00
2014-15	1,358,950	1,191,461	167,489	157,220	10,269	167,489	1.00
2013-14	1,240,588	1,073,259	167,329	147,225	20,104	167,329	1.00
2012-13	1,204,153	1,037,025	167,128	132,105	35,023	167,128	1.00
2011-12	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2010-11	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance [2]							
2015-16	$ 231,775	$ -	$ 231,775	$ 124,965	$ 20,546	$ 145,511	1.59
2014-15	363,612	-	363,612	249,925	24,857	274,782	1.32
2013-14	486,250	-	486,250	374,885	30,620	405,505	1.20
2012-13	608,493	-	608,493	499,845	40,965	540,810	1.13
2011-12	240,822	-	240,822	-	18,234	18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
2008-09	200,753	34,107	166,646	24,000	17,126	41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
Higher Education Institutions							
2015-16	$ 1,984,082	$ 455,553	$ 1,528,529	$ 103,957	$ 157,999	$ 261,956	5.84
2014-15	1,250,735	579,200	671,535	107,878	152,923	260,801	2.57
2013-14	1,170,939	557,627	613,312	94,581	138,121	232,702	2.64
2012-13	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2011-12	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2010-11	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2009-10	947,626	477,126	470,500	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2011-12, Unemployment Insurance issued revenue bonds requiring pledged revenues.

COLORADO DEMOGRAPHIC DATA
2007 to 2016

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2016 est	5,555	1.71%	$ 288.6	$ 51,956	105.4%	2,808	3.5%
2015	5,439	1.69	273.8	50,343	105.6	2,719	3.9
2014	5,345	1.67	261.0	48,831	106.3	2,675	5.0
2013	5,268	1.67	247.1	46,900	104.8	2,591	6.8
2012	5,189	1.65	240.3	46,310	104.8	2,542	7.9
2011	5,118	1.64	226.1	44,177	104.4	2,507	8.3
2010	5,048	1.63	210.5	41,700	103.9	2,486	8.7
2009	4,972	1.62	206.4	41,512	105.4	2,524	7.3
2008	4,890	1.61	212.1	43,374	106.1	2,585	4.8
2007	4,804	1.59	202.6	42,173	106.0	2,565	3.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2007 to 2016
(AMOUNTS IN THOUSANDS)

Industry	2016 est	2015 est	2014	2013	2012	2011	2010	2009	2008	2007
Natural Resources and Mining	29.8	31.1	33.9	30.6	30.3	27.9	24.4	24.2	28.5	25.2
Construction	160.2	150.5	142.3	127.5	115.8	112.5	115.1	131.3	161.8	167.8
Manufacturing	142.5	140.3	136.6	132.8	130.9	128.1	124.2	128.0	142.3	145.2
Transportation, Trade, and Utilities	454.8	444.0	431.8	420.2	409.7	401.7	397.6	403.8	429.3	429.2
Information	70.4	70.1	69.9	69.8	69.8	71.4	72.0	74.7	76.8	76.4
Financial Activities	159.9	157.3	153.3	151.0	146.7	143.9	144.3	148.0	155.6	159.5
Professional and Business Services	413.0	397.5	385.2	372.6	356.9	341.5	330.8	331.8	353.7	349.7
Educational and Health Services	323.0	312.1	298.8	286.7	282.6	273.7	264.7	257.2	250.5	240.4
Leisure and Hospitality	320.4	311.4	300.7	289.4	279.7	271.4	263.0	262.4	272.9	270.4
Other Services	103.9	102.0	100.4	97.7	96.0	93.7	92.4	93.7	94.8	92.9
Government	418.2	414.7	408.0	403.7	394.8	392.9	393.8	390.5	384.1	374.7
Total	2,596.1	2,531.0	2,460.9	2,382.0	2,313.2	2,258.7	2,222.3	2,245.6	2,350.3	2,331.4

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
2016 est	$ 8,780	$ 4,852	$ 3,150	$ 16,782
2015	7,489	4,621	3,150	15,260
2014	6,480	4,239	2,319	13,038
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
2010	2,903	2,967	2,214	8,084
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681

Source: Department of Census, F.W. Dodge Company, Division of McGraw-Hill, Colorado Contractors Association, and Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years
(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2016 est	88.90	7.71
2015	84.20	8.32
2014	79.50	9.09
2013	74.10	8.55
2012	70.70	8.27
2011	66.70	8.47
2010	62.30	6.97
2009	58.30	6.80
2008	66.50	6.87
2007	67.30	7.47

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]
BY FUNCTIONS/PROGRAMS
Last Ten Years[2]

	2016	2015	2014	Restated 2013
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	815	719	638	634
Employees (calculated Average Employment)	72,483	72,369	70,823	68,898
Balance in Treasury Pool (in millions)	$7,413.7	$7,683.2	$7,047.8	$7,106.9
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	813,639	789,643	750,306	729,328
Unemployment Rate (percent) [4]	3.3	4.3	5.5	6.8
Employment Level [4]	2,808,506	2,716,981	2,691,680	2,595,837
Education:				
Public Schools	1,853	1,836	1,824	1,823
Primary School Students	899,112	889,006	876,999	863,561
Health and Rehabilitation:				
Average Daily Population of Mental Health Institute	545	545	486	489
Average Daily Population of Regional Centers [3,5]	266	272	288	305
Justice:				
District Court Cases Filed [3]	216,970	231,188	289,965	247,696
County Court Cases Filed [3]	430,398	446,255	493,341	505,234
Inmate Admissions	9,912	9,912	9,620	9,597
Inmate Releases	10,269	10,269	10,506	10,506
Average Daily Inmate Population	20,478	20,478	20,551	20,812
Citations Issued by the State Patrol	128,142	135,037	140,640	127,939
Crashes Covered by the State Patrol	25,541	26,971	29,163	27,751
Natural Resources:				
Active Oil and Gas Wells [3]	52,600	52,300	50,350	47,916
Oil and Gas Drilling Permits [3]	3,725	4,333	4,300	5,100
Annual State Park Visitors [3]	12,300,000	11,699,543	11,556,388	12,461,261
Water Loans	312	294	289	277
Social Assistance:				
Medicaid Recipients [3]	1,289,795	1,003,612	809,452	687,473
Average Cash Assistance Payments per Month [3]	286,611	63,646	65,208	65,208
Transportation:				
Lane Miles	23,018,184	23,018,184	23,021,500	23,023,800
Bridges	3,427	3,439	3,443	3,438
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students [3]	145,769	150,073	155,748	159,206
Nonresident Students [3]	30,869	29,305	28,580	27,536
Unemployment Insurance:				
Individuals Served - Employment and Training [3]	469,274	553,258	552,303	636,977
Initial Unemployment Claims [3]	152,658	157,161	199,007	228,634
CollegeInvest:[7]				
Loans Issued or Purchased	-	-	-	-
Average Balance per Loan	-	-	-	-
Lottery:				
Scratch Tickets Sold	87,433,955	89,637,387	89,961,317	94,109,256
Lotto Tickets Sold	27,422,320	29,837,628	33,809,181	32,561,865
Powerball Tickets Sold	47,427,269	29,581,783	35,134,907	67,690,312
Other Lottery Tickets Sold	29,682,863	50,521,072	56,956,625	47,690,502
Wildlife:				
Hunting & Fishing Licenses Sold [3]	1,600,000	2,300,000	2,300,000	2,315,000
College Assist:				
Guaranteed Loans - In State	-	-	-	-
Guaranteed Loans - Out of State	-	-	-	-

Source: JBC Budget in Brief and various State departments.

[1] – All amounts are counts, except where dollars or percentages are indicated.
[2] – Data is presented by either fiscal year or calendar year based on availability of information.
[3] – Data represents estimates from budgetary documents and is not adjusted to actual.
[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

Restated 2012	Restated 2011	2010	2009	2008	2007
626	616	601	593	556	515
67,871	66,691	65,325	64,535	61,915	59,873
$6,546.6	$6,076.2	$5,902.0	$5,663.2	$6,159.4	$5,250.7
705,205	703,695	702,498	679,836	640,332	575,124
7.8	8.5	9.0	8.1	4.8	3.8
2,523,535	2,490,004	2,475,831	2,511,189	2,599,724	2,583,404
1,806	1,786	1,817	1,769	1,771	1,771
854,265	843,316	832,368	818,443	802,639	794,026
501	511	554	569	548	528
302	307	329	378	403	403
238,766	190,531	188,822	191,749	199,681	189,884
541,439	562,185	562,570	554,165	579,069	552,592
9,116	9,935	10,704	10,992	11,038	10,625
10,657	10,161	11,033	10,803	10,565	10,110
22,009	22,814	22,980	23,210	22,887	22,424
130,651	149,015	170,988	170,570	221,544	226,324
25,554	24,878	24,123	26,159	27,260	28,277
45,300	45,500	45,000	36,000	35,000	34,000
4,800	5,250	5,000	7,400	6,780	4,200
12,651,919	12,463,495	11,666,912	13,680,012	11,272,418	11,475,000
281	288	278	269	258	255
613,148	553,407	476,632	381,390	383,784	429,233
66,472	63,742	58,119	57,200	62,647	66,728
23,023,720	23,023,070	22,982,320	23,060,630	23,036,480	22,999,470
3,447	3,447	3,447	3,429	3,406	3,775
160,944	160,160	146,531	136,900	135,275	136,108
26,934	26,225	24,869	23,166	22,069	20,670
585,724	615,548	652,570	350,000	300,000	270,000
302,418	389,769	408,644	120,074	119,561	120,290
-	-	-	268,745 [7]	239,060	218,518
-	-	-	6,326 [7]	6,328	6,057
99,988,581	98,545,733	99,657,606	104,217,790	101,604,127	99,199,686
33,276,914	39,257,585	41,620,408	43,552,521	41,071,837	39,835,761
64,285,665	70,047,258	101,568,085	100,733,520	109,565,516	101,570,695
65,916,303	50,464,834	26,833,674	20,831,732	19,148,564	17,407,163
2,333,000	1,380,000	1,630,000	2,300,000	1,545,659	1,399,978
-	61,076 [8]	107,402	115,486	140,232	146,616
-	4,961 [8]	41,616	47,892	18,859	5,080

[5] – This represented Regional Center Residential Beds.

[6] – Calendar data through October 31, 2014.

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

[8] – In Fiscal Year 2010-11, College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY
Last Ten Fiscal Years

	2015-16	2014-15	2013-14	2012-13
General Government	3,102	3,005	3,092	2,958
Business, Community, and Consumer Affairs	2,451	2,441	2,482	2,420
Education	42,494	42,767	41,501	40,218
Health and Rehabilitation	4,023	4,007	3,990	3,931
Justice	13,974	13,760	13,416	13,123
Natural Resources	1,623	1,599	1,579	1,586
Social Assistance	1,810	1,766	1,731	1,633
Transportation	3,006	3,024	3,032	3,029
TOTAL AVERAGE EMPLOYMENT	72,483	72,369	70,823	68,898
TOTAL CLASSIFIED	31,102	31,246	31,284	31,504
AVERAGE MONTHLY SALARY	$ 4,539	$ 4,502	$ 4,391	$ 4,283
TOTAL NON-CLASSIFIED	41,381	41,123	39,539	37,394
AVERAGE MONTHLY SALARY	$ 6,691	$ 6,306	$ 6,140	$ 5,953

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.

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
3,042	2,991	2,399	2,454	2,392	2,322
2,404	2,458	2,564	2,437	2,372	2,335
39,097	38,038	37,093	36,042	34,469	33,464
3,953	3,965	4,019	3,944	3,865	3,774
13,149	13,093	12,848	13,000	12,467	11,791
1,597	1,579	1,607	1,587	1,583	1,522
1,605	1,579	1,704	1,671	1,656	1,593
3,024	2,988	3,091	3,400	3,111	3,072
67,871	66,691	65,325	64,535	61,915	59,873
32,449	32,927	32,799	32,820	31,995	31,075
$ 4,314	$ 4,324	$ 4,367	$ 4,390	$ 4,278	$ 4,108
35,422	33,764	32,526	31,715	29,920	28,798
$ 5,840	$ 5,786	$ 5,735	$ 5,723	$ 5,467	$ 5,214

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
2006 TO 2015

Mileage Type	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
CenterLine Miles[1]										
Urban	1,523	1,523	1,385	1,385	1,385	1,389	1,398	1,400	1,398	1,419
Rural	7,580	7,580	7,718	7,720	7,720	7,720	7,748	7,744	7,736	7,742
TOTAL CENTERLINE MILES	9,103	9,103	9,103	9,105	9,105	9,109	9,146	9,144	9,134	9,161
Percent Change	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%
Lane Miles[2]										
Urban	5,771	5,771	5,326	5,330	5,330	5,327	5,352	5,238	5,232	5,322
Rural	17,247	17,247	17,688	17,694	17,693	17,654	17,709	17,798	17,767	17,784
TOTAL LANE MILES	23,018	23,018	23,014	23,024	23,023	22,981	23,061	23,036	22,999	23,106
Percent Change	0.0%	0.0%	0.0%	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%
Roadways[3]										
Percent Rated Good/Fair	79	79	79	47	48	48	50	53	59	63
Percent Rated Poor	21	21	21	53	52	52	50	47	41	37
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

Source: Colorado Department of Transportation

1 – Centerline miles measure roadway miles without accounting for the number of lanes.

2 – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

3 – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2015, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2007 to 2016

Functional Classification	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Principal Arterial[1]	1,372	1,377	1,114	1,294	1,303	1,299	1,376	1,368	1,341	1,686
Other Principal Arterial	930	930	1,199	793	791	785	801	794	795	911
Minor Arterial	666	667	667	747	749	752	759	761	773	802
Collector	383	390	391	443	442	446	431	426	404	350
Local	76	75	72	161	162	165	80	80	93	26
TOTAL BRIDGES	3,427	3,439	3,443	3,438	3,447	3,447	3,447	3,429	3,406	3,775
Percent Change	-0.3%	-0.1%	0.1%	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%	0.5%
Percent Rated Poor[2]	5.60	5.60	5.70	5.90	3.60	5.53	5.48	5.62	6.21	5.81

Source: Colorado Department of Transportation

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. In 2015, CDOT reported 5.4 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS

Last Nine Years[2]

	2016	Restated 2015	2014	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:									
General Government	4,091,577	3,630,949	3,898,443	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	1,117,563	1,260,223	1,462,694	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	322,484	322,484	327,394	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,443,140	1,439,483	1,371,986	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,743,419	8,633,069	8,797,346	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	105,952	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,828,335	1,821,873	1,794,333	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,652,382	3,589,835	3,373,967	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:									
Higher Education	54,075,080	52,070,593	50,215,173	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	78,191,541	75,686,070	74,158,897	71,535,388	70,452,709	69,864,089	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

1 – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

2 – Data not available prior to 2008.

BUILDING SQUARE FOOTAGE
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS

Last Nine Years[2]

	2016	2015	2014	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:									
General Government	153,470	161,533	169,970	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs[1]	623,742	597,583	604,185	597,182	575,591	585,944	517,447	515,708	508,439
Education	53,827	51,749	47,926	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	473,440	498,721	475,010	473,230	465,649	458,959	455,218	420,272	434,469
Justice	453,320	343,665	412,286	310,551	321,920	463,506	857,026	868,060	850,185
Natural Resources	74,016	75,134	91,162	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	99,256	110,867	74,451	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:									
Higher Education	1,309,490	1,303,315	1,613,516	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524	1,294,663
CollegeInvest	9,597	9,642	11,397	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	67,327	71,104	71,104	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	76,448	76,448	76,448	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	10,164	10,246	8,825	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,404,097	3,310,007	3,656,280	3,467,505	3,459,662	3,406,819	3,620,801	3,568,293	3,541,328

Source: Colorado Office of the State Architect

1 – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

2 – Data not available prior to 2008.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 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

(THIS PAGE INTENTIONALLY LEFT BLANK)

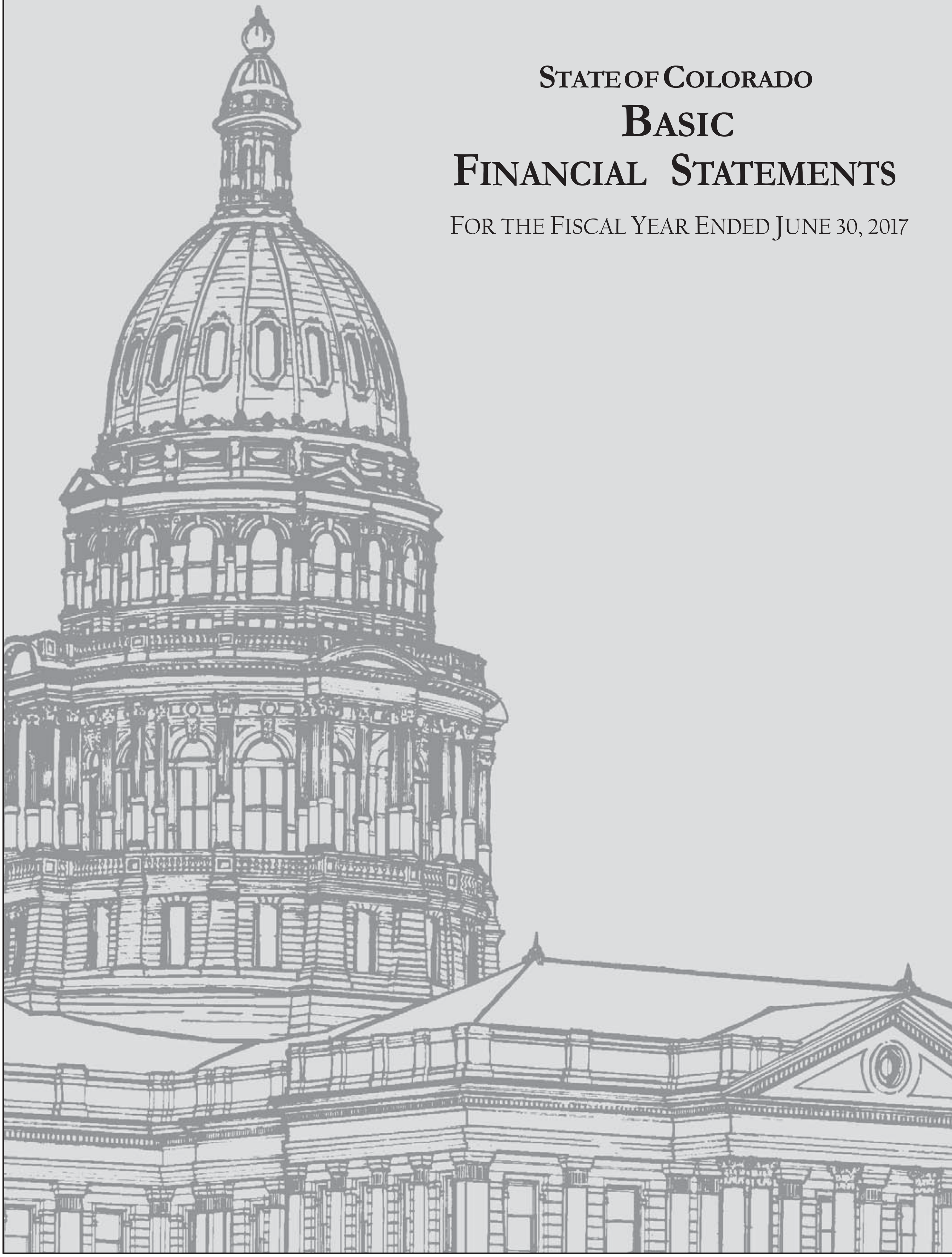
COLORADO

Office of the State Controller

Department of Personnel
& Administration

State of Colorado
Basic Financial Statements

For the Fiscal Year Ended June 30, 2017



COLORADO
Office of the State Controller
Department of Personnel
& Administration

Office of the State Controller
1525 Sherman St.
Denver, CO 80203

September 20, 2017

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Crisanta Duran
Speaker of the House
Colorado General Assembly

The Honorable Kevin Grantham
President of the Senate
Colorado General Assembly

Dear Madam and Sirs:

The attached Basic Financial Statements (BFS) for the State of Colorado as of June 30, 2017 are submitted to you on time and in compliance with Section 24-30-204, C.R.S. We were able to complete the BFS on time due to the extraordinary efforts of the departments and staff in the Office of the State Controller.

The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll, purchased services from the Governor's Office of Information Technology, Medicaid, and other legislatively specified expenditures on a cash basis. The financial statements are unaudited. The State Auditor's opinion is anticipated by December 15, 2017 and will be included in the Comprehensive Annual Financial Report that I expect to issue in mid-January of 2018.

If you have questions, please feel free to contact me.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Attachment

cc: June Taylor, Department of Personnel & Administration
Henry Sobanet, Office of State Planning & Budgeting
Dianne E. Ray, State Auditor
Natalie Mullis, Chief Economist – Legislative Council

STATE OF COLORADO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

STATEMENT OF NET POSITION
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,565,050	$ 2,918,952	$ 5,484,002	$ 303,797
Deposit on Land	-	-	-	-
Investments	-	545,073	545,073	7,795
Restricted Securities Not Held for Investment	-	-	-	-
Taxes Receivable, net	1,325,689	125,257	1,450,946	-
Contributions Receivable, net	-	-	-	56,681
Other Receivables, net	716,258	492,683	1,208,941	81,587
Due From Other Governments	524,021	175,436	699,457	3,049
Due From Other Funds	-	-	-	-
Internal Balances	26,355	(26,354)	1	-
Due From Component Units	154	23,041	23,195	-
Inventories	54,152	59,167	113,319	-
Prepaids, Advances and Deposits	72,047	34,454	106,501	3,228
Net Pension Asset	-	-	-	-
Other Current Assets	-	-	-	-
Total Current Assets	5,283,726	4,347,709	9,631,435	456,137
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,493,996	192,786	1,686,782	120,278
Restricted Investments	867,572	93,661	961,233	107,680
Restricted Receivables	587,580	-	587,580	1,600
Restricted Securities Not Held for Investment	-	-	-	-
Investments	255,069	2,092,319	2,347,388	2,364,351
Contributions Receivable, net	-	-	-	139,051
Due From Other Funds	-	-	-	-
Net Pension Asset	-	-	-	-
Other Long-Term Assets	614,932	110,916	725,848	932,014
Depreciable Capital Assets and Infrastructure, net	9,994,896	7,502,746	17,497,642	203,931
Land and Nondepreciable Capital Assets	1,972,419	1,937,519	3,909,938	58,980
Capital Assets Held as Investments	112,290	-	112,290	-
Total Noncurrent Assets	15,898,754	11,929,947	27,828,701	3,927,885
TOTAL ASSETS	21,182,480	16,277,656	37,460,136	4,384,022
DEFERRED OUTFLOW OF RESOURCES:	3,307,067	2,214,324	5,521,391	5,035
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	-	886,992	-
Accounts Payable and Accrued Liabilities	1,163,369	788,090	1,951,459	30,266
TABOR Refund Liability (Note 8B)	21,807	-	21,807	-
Due To Other Governments	393,901	46,765	440,666	413
Due To Other Funds	-	-	-	
Intrafund Payables	-	-	-	
Due To Component Units	-	1,249	1,249	-
Unearned Revenue	126,307	327,816	454,123	-
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	11,865	25,381	37,246	-
Claims and Judgments Payable	46,369	-	46,369	-
Leases Payable	28,254	7,292	35,546	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	46,990	146,604	193,594	47,455
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	27,678	131,239	158,917	154,837
Total Current Liabilities	2,753,532	1,474,436	4,227,968	232,971
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	
Deposits Held In Custody For Others	116	20	136	376,818
Accrued Compensated Absences	158,435	317,070	475,505	-
Claims and Judgments Payable	260,535	37,361	297,896	-
Capital Lease Payable	113,899	42,599	156,498	-
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	9,251	9,251	-
Notes, Bonds, and COPs Payable	1,266,507	4,652,616	5,919,123	594,511
Due to Component Units	-	1,678	1,678	-
Net Pension Liability	11,137,010	6,642,374	17,779,384	4,095
Other Postemployment Benefits	-	343,570	343,570	-
Other Long-Term Liabilities	407,912	90,586	498,498	125,750
Total Noncurrent Liabilities	13,344,414	12,137,125	25,481,539	1,101,174
TOTAL LIABILITIES	16,097,946	13,611,561	29,709,507	1,334,145
DEFERRED INFLOW OF RESOURCES:	35,603	206,313	241,916	321
NET POSITION:				
Net investment in Capital Assets:	13,929,241	6,989,126	20,918,367	215,557
Restricted for:				
Construction and Highway Maintenance	915,033	-	915,033	-
Education	107,012	506,058	613,070	-
Unemployment Insurance	-	920,814	920,814	-
Debt Service	79,966	95,403	175,369	-
Emergencies	194,369	34,000	228,369	-
Permanent Funds and Endowments:				
Expendable	7,643	165,637	173,280	1,107,777
Nonexpendable	1,020,225	91,878	1,112,103	911,004
Other Purposes	671,303	65,961	737,264	672,809
Unrestricted	(8,568,794)	(4,194,771)	(12,763,565)	147,444
TOTAL NET POSITION	$ 8,355,998	$ 4,674,106	$ 13,030,104	$ 3,054,591

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

(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	$ 655,108	$ (19,599)	$ 150,065	$ 173,534	$ 3,493
Business, Community, and Consumer Affairs	910,319	1,876	153,292	261,684	-
Education	6,112,211	1,334	25,089	608,964	-
Health and Rehabilitation	1,190,457	2,294	85,977	452,885	-
Justice	3,145,930	4,950	249,001	159,139	412
Natural Resources	238,090	954	135,170	41,674	-
Social Assistance	10,420,864	2,069	792,800	6,347,612	6
Transportation	2,116,565	1,890	470,494	104,262	810,828
Interest on Debt	58,764	-	-	-	-
Total Governmental Activities	24,848,308	(4,232)	2,061,888	8,149,754	814,739
Business-Type Activities:					
Higher Education	7,819,980	2,488	4,660,496	2,094,170	40,832
Higher Education Segments	-				
Unemployment Insurance	509,861	-	650,090	38,232	-
Lottery	492,657	522	556,231	315	-
Parks and Wildlife	189,391	727	161,367	34,704	3,041
College Assist	314,800	97	-	348,802	-
Other Business-Type Activities	202,862	398	290,206	44,689	-
Total Business-Type Activities	9,529,551	4,232	6,318,390	2,560,912	43,873
Total Primary Government	34,377,859	-	8,380,278	10,710,666	858,612
Component Units:					
University of Colorado Hospital Authority					
Colorado Water Resources and Power Development Authority	44,137		28,982	47,069	
University of Colorado Foundation	131,258			143,111	
Colorado State University Foundation	52,693			101,629	
Colorado School of Mines Foundation	28,420		1,900	4,905	
University of Northern Colorado Foundation	11,656			5,773	
Other Component Units	27,152		21,694	161	2,317
Total Component Units	$ 295,316	$ -	$ 52,576	$ 302,648	$ 2,317

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
    - Other Taxes
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings (Losses)
- Other General Revenues

Payment from State of Colorado
Special Items (See Note 41)
(Transfers-Out) / Transfers-In
Internal Capital Contributions
Permanent Fund Additions

Total General Revenues, Special Items, and Transfers

Change in Net Position

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

Net Position - Fiscal Year Ending

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
$ (308,417)	$ -	$ (308,417)	
(497,219)	-	(497,219)	
(5,479,492)	-	(5,479,492)	
(653,889)	-	(653,889)	
(2,742,328)	-	(2,742,328)	
(62,200)	-	(62,200)	
(3,282,515)	-	(3,282,515)	
(732,871)	-	(732,871)	
(58,764)	-	(58,764)	
(13,817,695)	-	(13,817,695)	
-	(1,026,970)	(1,026,970)	
-	178,461	178,461	
-	63,367	63,367	
-	8,994	8,994	
-	33,905	33,905	
-	131,635	131,635	
-	(610,608)	(610,608)	
(13,817,695)	(610,608)	(14,428,303)	
-	-	-	-
-	-	-	31,914
-	-	-	11,853
-	-	-	48,936
-	-	-	(21,615)
-	-	-	(5,883)
-	-	-	(2,980)
-	-	-	62,225
3,151,679	-	3,151,679	-
321,419	-	321,419	-
6,291,376	-	6,291,376	-
432,802	-	432,802	-
452,042	-	452,042	-
495,909	-	495,909	-
44,091	-	44,091	-
-	-	-	-
629,081	-	629,081	-
376	-	376	-
16,987	-	16,987	17,546
103,606	-	103,606	8,263
-	-	-	-
-	(808)	(808)	(1,721)
(349,964)	349,964	-	-
-	-	-	-
766	-	766	-
11,590,170	349,156	11,939,326	24,088
(2,227,525)	(261,452)	(2,488,977)	86,313
10,589,266	4,981,653	15,570,919	2,968,278
(5,743)	545	(5,198)	-
-	(46,640)	(46,640)	-
$ 8,355,998	$ 4,674,106	$ 13,030,104	$ 3,054,591

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 210,359	$ 779,973	$ 65,115
Investments	-	-	-
Taxes Receivable, net	1,509,492	9,668	-
Contributions Receivable, net	-	-	-
Other Receivables, net	613,173	21,522	3,415
Due From Other Governments	467,235	10,387	-
Due From Other Funds	86,349	17,070	5,037
Internal Balances	-	-	-
Due From Component Units	154	-	-
Inventories	8,503	35,114	9,334
Prepaids, Advances and Deposits	39,460	16,677	679
Restricted Assets:			
Restricted Cash and Pooled Cash	443,662	108,151	497,654
Restricted Investments	-	-	90,122
Restricted Receivables	92	-	587,488
Investments	14,080	-	-
Contributions Receivable, net	-	-	-
Due From Other Funds	-	-	-
Other Long-Term Assets	709	350,796	9,793
Depreciable Capital Assets and Infrastructure, net	-	-	-
Land and Nondepreciable Capital Assets	-	-	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,393,268	$ 1,349,358	$ 1,268,637
DEFERRED OUTFLOW OF RESOURCES:	677	-	-
LIABILITIES:			
Tax Refunds Payable	$ 837,817	46,651	$ 2,255
Accounts Payable and Accrued Liabilities	755,210	18,652	217,069
TABOR Refund Liability (Note 8B)	21,807	-	-
Due To Other Governments	305,365	32,058	34,317
Due To Other Funds	50,270	481	1,565
Due To Component Units	-	-	-
Unearned Revenue	26,224	9,651	31,207
Obligations Under Securities Lending	-	-	-
Compensated Absences Payable	-	-	-
Claims and Judgments Payable	282	-	8
Leases Payable	-	-	-
Notes, Bonds, and COPs Payable	-	-	-
Other Postemployment Benefits	-	-	-
Other Current Liabilities	18,478	-	32
Due to Other Funds	-	-	-
Deposits Held In Custody For Others	1	-	-
Other Long-Term Liabilities	-	-	-
TOTAL LIABILITIES	2,015,454	107,493	286,453
DEFERRED INFLOW OF RESOURCES:	226,101	2	1,465
FUND BALANCES:			
Nonspendable:			
Long-term Portion of Interfund Loans Receivable	-	-	-
Inventories	8,503	35,114	9,334
Permanent Fund Principal	-	-	-
Prepaids	39,348	16,677	679
Restricted	442,249	79,173	917,778
Committed	646,020	1,110,899	52,928
Assigned	16,270	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	1,152,390	1,241,863	980,719
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,393,945	$ 1,349,358	$ 1,268,637

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 251,174	$ -	$ 1,220,271	$ 2,526,892
-	-	-	-
-	-	33,487	1,552,647
-	-	-	-
1,139	-	76,094	715,343
1,947	-	44,397	523,966
10	-	7,689	116,155
-	-	-	-
-	-	-	154
-	-	331	53,282
3,431	112	6,787	67,146
-	118,179	326,350	1,493,996
-	-	777,450	867,572
-	-	-	587,580
3,844	-	237,145	255,069
-	-	-	-
-	-	-	-
37	-	25,738	387,073
-	-	-	-
-	-	-	-
-	-	112,290	112,290
$ 261,582	$ 118,291	$ 2,868,029	$ 9,259,165
-	-	-	677
$ -	$ -	$ 269	$ 886,992
11,262	16,160	112,852	1,131,205
-	-	-	21,807
-	-	22,161	393,901
2,042	-	35,059	89,417
-	-	-	-
-	-	53,558	120,640
-	-	-	-
-	-	-	-
-	-	89	379
-	-	-	-
-	-	-	-
-	-	-	-
167	-	4,646	23,323
-	-	-	-
-	-	115	116
-	-	-	-
13,471	16,160	228,749	2,667,780
-	-	1,200	228,768
-	-	-	-
-	-	331	53,282
-	-	1,122,480	1,122,480
3,431	112	6,787	67,034
5	102,019	237,650	1,778,874
244,675	-	1,270,832	3,325,354
-	-	-	16,270
-	-	-	-
248,111	102,131	2,638,080	6,363,294
$ 261,582	$ 118,291	$ 2,868,029	$ 9,259,842

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2017

(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	$ 2,526,892	$ 38,152	$ -	$ -	$ -	$ 6	$ -	$ 2,565,050
Investments	-	-	-	-	-	-	-	-
Taxes Receivable, net	1,552,647	-	-	-	-	(226,958)	-	1,325,689
Contributions Receivable, net	-	-	-	-	-	-	-	-
Other Receivables, net	715,343	915	-	-	-	-	-	716,258
Intrafund Receivables	-	-	-	-	-	-	-	-
Due From Other Governments	523,966	55	-	-	-	-	-	524,021
Due From Other Funds	116,155	1,804	-	-	-	-	(117,959)	-
Internal Balances	-	-	-	-	-	-	26,355	26,355
Due From Component Units	154	-	-	-	-	-	-	154
Inventories	53,282	870	-	-	-	-	-	54,152
Prepaids, Advances and Deposits	67,146	4,901	-	-	-	-	-	72,047
Total Current Assets	5,555,585	46,697	-	-	-	(226,952)	(91,604)	5,283,726
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,493,996	-	-	-	-	-	-	1,493,996
Restricted Investments	867,572	-	-	-	-	-	-	867,572
Restricted Receivables	587,580	-	-	-	-	-	-	587,580
Investments	255,069	-	-	-	-	-	-	255,069
Contributions Receivable, net	-	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Other Long-Term Assets	387,073	-	-	-	-	227,859	-	614,932
Depreciable Capital Assets and Infrastructure, net	-	137,584	9,857,312	-	-	-	-	9,994,896
Land and Nondepreciable Capital Assets	-	910	1,971,509	-	-	-	-	1,972,419
Capital Assets Held as Investments	112,290	-	-	-	-	-	-	112,290
Total Noncurrent Assets	3,703,580	138,494	11,828,821	-	-	227,859	-	15,898,754
TOTAL ASSETS	9,259,165	185,191	11,828,821	-	-	907	(91,604)	21,182,480
DEFERRED OUTFLOW OF RESOURCES:	677	156,881	-	3,149,509	-	-	-	3,307,067
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	886,992	-	-	-	-	-	-	886,992
Accounts Payable and Accrued Liabilities	1,131,205	24,473	-	7,338	-	-	353	1,163,369
TABOR Refund Liability (Note 8B)	21,807	-	-	-	-	-	-	21,807
Due To Other Governments	393,901	-	-	-	-	-	-	393,901
Due To Other Funds	89,417	2,540	-	-	-	-	(91,957)	-
Intrafund Payables	-	-	-	-	-	-	-	-
Due To Component Units	-	-	-	-	-	-	-	-
Unearned Revenue	120,640	5,840	-	-	-	(173)	-	126,307
Obligations Under Securities Lending	-	-	-	-	-	-	-	-
Compensated Absences Payable	-	488	-	-	-	11,377	-	11,865
Claims and Judgments Payable	379	-	-	-	37,488	8,502	-	46,369
Leases Payable	-	21,457	-	6,797	-	-	-	28,254
Derivative Instrument Liability								-
Notes, Bonds, and COPs Payable	-	-	-	46,990	-	-	-	46,990
Other Postemployment Benefits	-	-	-	-	-	-	-	-
Other Current Liabilities	23,323	54	-	-	-	4,301	-	27,678
Total Current Liabilities	2,667,664	54,852	-	61,125	37,488	24,007	(91,604)	2,753,532
Noncurrent Liabilities:								
Due to Other Funds	-	-	-	-	-	-	-	-
Deposits Held In Custody For Others	116	-	-	-	-	-	-	116
Accrued Compensated Absences	-	9,639	-	-	-	148,796	-	158,435
Claims and Judgments Payable	-	-	-	-	120,791	139,744	-	260,535
Capital Lease Payable	-	81,434	-	32,465	-	-	-	113,899
Capital Lease Payable To Component Units	-	-	-	-	-	-	-	-
Derivative Instrument Liability								-
Notes, Bonds, and COPs Payable	-	-	-	1,266,507	-	-	-	1,266,507
Due to Component Units	-	-	-	-	-	-	-	-
Net Pension Liability	-	555,986	-	-	-	10,581,024	-	11,137,010
Other Postemployment Benefits	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	-	-	-	-	-	407,912	-	407,912
Total Noncurrent Liabilities	116	647,059	-	1,298,972	120,791	11,277,476	-	13,344,414
TOTAL LIABILITIES	2,667,780	701,911	-	1,360,097	158,279	11,301,483	(91,604)	16,097,946
DEFERRED INFLOW OF RESOURCES:	228,768	5,002	-	-	-	(198,167)	-	35,603
NET POSITION:								
Net investment in Capital Assets:	112,288	35,601	11,828,821	1,952,531	-	-	-	13,929,241
Restricted for:								
Construction and Highway Maintenance	915,033	-	-	-	-	-	-	915,033
Education	107,012	-	-	-	-	-	-	107,012
Unemployment Insurance	-	-	-	-	-	-	-	-
Debt Service	79,966	-	-	-	-	-	-	79,966
Emergencies	194,369	-	-	-	-	-	-	194,369
Permanent Funds and Endowments:								
Expendable	7,643	-	-	-	-	-	-	7,643
Nonexpendable	1,020,225	-	-	-	-	-	-	1,020,225
Other Purposes	671,303	-	-	-	-	-	-	671,303
Unrestricted	3,255,455	(400,442)	-	(163,119)	(158,279)	(11,102,409)	-	(8,568,794)
TOTAL NET POSITION	$ 6,363,294	$ (364,841)	$ 11,828,821	$ 1,789,412	$ (158,279)	$ (11,102,409)	$ -	$ 8,355,998

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, 2017

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 6,262,821	$ -	$ -
Corporate Income	467,411	-	-
Sales and Use	3,085,580	-	-
Excise	102,784	-	629,081
Other Taxes	237,277	64,950	376
Licenses, Permits, and Fines	31,883	3,039	392,445
Charges for Goods and Services	74,026	6,653	143,666
Rents	262	-	3,037
Investment Income (Loss)	18,957	13,779	2,769
Federal Grants and Contracts	7,553,810	109,964	843,438
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	242,141	2,939	67,782
TOTAL REVENUES	18,076,952	201,324	2,082,594
EXPENDITURES:			
Current:			
General Government	228,874	-	62,984
Business, Community, and Consumer Affairs	161,080	8,172	-
Education	788,512	-	-
Health and Rehabilitation	631,512	533	11,862
Justice	1,392,189	-	128,525
Natural Resources	39,894	58,902	-
Social Assistance	8,473,261	-	-
Transportation	-	-	1,361,221
Capital Outlay	22,398	1,905	84,846
Intergovernmental:			
Cities	92,874	67,492	260,710
Counties	1,356,544	49,816	234,563
School Districts	4,405,287	1,919	-
Special Districts	68,360	23,903	67,459
Federal	271	1,157	14
Other	24,118	4,920	1,196
Debt Service	56,981	12	-
TOTAL EXPENDITURES	17,742,155	218,731	2,213,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	334,797	(17,407)	(130,786)
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,315,364	4,724	886,441
Transfers-Out	(4,580,206)	(56,394)	(950,743)
Face Amount of Bond/COP Issuance	-	-	128,665
Bond/COP Premium/Discount	-	-	13,878
Capital Lease Proceeds	891	-	-
Sale of Capital Assets	(5)	-	-
Insurance Recoveries	4,967	-	1,843
Bond/COP Refunding Issuance	-	-	-
Bond/COP Premium Refunding Proceeds	-	-	-
Bond/COP Refunding Payments	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(258,989)	(51,670)	80,084
NET CHANGE IN FUND BALANCES	75,808	(69,077)	(50,702)
FUND BALANCE, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421
Prior Period Adjustment (See Note 29A)	-	-	-
Accounting Changes (See Note 29B)	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 1,152,390	$ 1,241,863	$ 980,719

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 498,112	$ -	$ 6,760,933
-	41,888	-	509,299
-	-	64,306	3,149,886
-	-	217,326	949,191
1,632	-	161,570	465,805
5	-	409,910	837,282
-	-	787,348	1,011,693
-	-	129,013	132,312
365	1,450	8,685	46,005
10,984	-	166,935	8,685,131
-	-	766	766
-	-	63,663	63,663
13	187	24,714	337,776
12,999	541,637	2,034,236	22,949,742
24,309	-	27,256	343,423
1,641	-	282,157	453,050
1,330	47,476	32,075	869,393
370	-	125,461	769,738
5,369	-	179,025	1,705,108
85	-	14,422	113,303
4,102	-	880,779	9,358,142
-	-	2,815	1,364,036
66,374	-	13,302	188,825
-	-	70,099	491,175
-	-	99,383	1,740,306
-	670,929	43,177	5,121,312
-	-	12,160	171,882
-	-	149	1,591
-	-	51,378	81,612
1,818	-	179,895	238,706
105,398	718,405	2,013,533	23,011,602
(92,399)	(176,768)	20,703	(61,860)
170,315	25,321	449,320	5,851,485
(217,121)	(50,862)	(341,680)	(6,197,006)
-	-	-	128,665
-	-	-	13,878
-	-	-	891
-	-	15,086	15,081
1,122	-	2	7,934
-	-	-	-
-	-	-	-
-	-	-	-
(45,684)	(25,541)	122,728	(179,072)
(138,083)	(202,309)	143,431	(240,932)
386,194	304,440	2,499,848	6,609,425
-	-	(5,199)	(5,199)
-	-	-	-
$ 248,111	$ 102,131	$ 2,638,080	$ 6,363,294

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

(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	$ 6,760,933	$ -	$ -	$ -	$ 28,586	$ 6,789,519
Corporate Income	509,299	-	-	-	(34,609)	474,690
Sales and Use	3,149,886	-	-	-	1,793	3,151,679
Excise	949,191	-	-	-	1,309	950,500
Other Taxes	465,805	-	-	-	19,089	484,894
Licenses, Permits, and Fines	837,282	-	-	-	162	837,444
Charges for Goods and Services	1,011,693	-	-	-	(1)	1,011,692
Rents	132,312	-	-	-	-	132,312
Investment Income (Loss)	46,005	(165)	-	-	(164)	45,676
Federal Grants and Contracts	8,685,131	-	-	-	-	8,685,131
Additions to Permanent Funds	766	-	-	-	-	766
Unclaimed Property Receipts	63,663	-	-	-	-	63,663
Other	337,776	-	-	-	1,237	339,013
TOTAL REVENUES	22,949,742	(165)	-	-	17,402	22,966,979
EXPENDITURES:						
Current:						
General Government	343,423	10,757	122,002	-	8,241	484,423
Business, Community, and Consumer Affairs	453,050	8,094	143,808	-	(3,524)	601,428
Education	869,393	390	87,305	-	75,128	1,032,216
Health and Rehabilitation	769,738	3,662	271,453	-	15,294	1,060,147
Justice	1,705,108	12,664	1,091,574	-	38,966	2,848,312
Natural Resources	113,303	5,027	113,980	-	3,126	235,436
Social Assistance	9,358,142	38,390	(7,204)	-	129,155	9,518,483
Transportation	1,364,036	6,290	542,527	-	25,860	1,938,713
Capital Outlay	188,825	-	(787,288)	-	-	(598,463)
Intergovernmental:						
Cities	491,175	-	-	-	-	491,175
Counties	1,740,306	-	-	-	-	1,740,306
School Districts	5,121,312	-	-	-	-	5,121,312
Special Districts	171,882	-	-	-	-	171,882
Federal	1,591	-	-	-	-	1,591
Other	81,612	-	-	-	-	81,612
Debt Service	238,706	2,311	-	(178,778)	-	62,239
TOTAL EXPENDITURES	23,011,602	87,585	1,578,157	(178,778)	292,246	24,790,812
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,860)	(87,750)	(1,578,157)	178,778	(274,844)	(1,823,833)
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,851,485	6,734	-	-	-	5,858,219
Transfers-Out	(6,197,006)	(5,946)	-	-	-	(6,202,952)
Face Amount of Bond/COP Issuance	128,665	-	-	(128,665)	-	-
Bond/COP Premium/Discount	13,878	-	-	(12,495)	-	1,383
Capital Lease Proceeds	891	-	-	(891)	-	-
Sale of Capital Assets	15,081	-	(83,563)	-	-	(68,482)
Insurance Recoveries	7,934	-	-	-	-	7,934
Bond/COP Refunding Issuance	-	-	-	-	-	-
Bond/COP Premium Refunding Proceeds	-	-	-	-	-	-
Bond/COP Refunding Payments	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(179,072)	788	(83,563)	(142,051)	-	(403,898)
Internal Service Fund Charges to BTAs	-	206	-	-	-	206
NET CHANGE FOR THE YEAR	(240,932)	(86,756)	(1,661,720)	36,727	(274,844)	(2,227,525)
Prior Period Adjustment (See Note 29A)	(5,199)	-	-	-	(544)	(5,743)
Accounting Changes (See Note 29B)	-	-	-	-	-	-
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ (246,131)	$ (86,756)	$ (1,661,720)	$ 36,727	$ (275,388)	$ (2,233,268)

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, 2017

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,311,446	$ 808,093
Investments	544,411	-
Premiums Receivable, net	-	125,257
Contributions Receivable, net	-	-
Student and Other Receivables, net	440,351	2,997
Due From Other Governments	113,175	7,452
Due From Other Funds	11,140	1
Internal Balances	-	-
Due From Component Units	23,041	-
Inventories	38,713	-
Prepaids, Advances and Deposits	23,595	-
Total Current Assets	2,505,872	943,800
Noncurrent Assets:		
Restricted Cash and Pooled Cash	151,187	-
Restricted Investments	93,661	-
Restricted Receivables	-	-
Investments	2,059,984	-
Contributions Receivable, net	-	-
Due From Other Funds	-	-
Other Long-Term Assets	108,930	-
Depreciable Capital Assets and Infrastructure, net	6,385,989	7,575
Land and Nondepreciable Capital Assets	1,274,537	-
Depreciable Capital Assets for Investment	-	-
Total Noncurrent Assets	10,074,288	7,575
TOTAL ASSETS	12,580,160	951,375
DEFERRED OUTFLOW OF RESOURCES:	2,085,815	5,246
LIABILITIES:		
Current Liabilities:		
Tax Refunds Payable	-	-
Accounts Payable and Accrued Liabilities	703,238	1,263
TABOR Refund Liability (Note 8B)	-	-
Due To Other Governments	-	1
Due To Other Funds	4,807	-
Due To Component Units	1,249	-
Unearned Revenue	274,236	-
Obligations Under Securities Lending	-	-
Compensated Absences Payable	23,861	-
Claims and Judgments Payable	-	-
Leases Payable	6,817	-
Derivative Instrument Liability		
Notes, Bonds, and COPs Payable	145,564	-
Other Postemployment Benefits	-	-
Other Current Liabilities	76,710	15,509
Total Current Liabilities	1,236,482	16,773
Noncurrent Liabilities:		
Due to Other Funds	-	-
Deposits Held In Custody For Others	-	-
Accrued Compensated Absences	304,088	-
Claims and Judgments Payable	37,361	-
Capital Lease Payable	39,262	-
Capital Lease Payable To Component Units	-	-
Derivative Instrument Liability	9,251	-
Notes, Bonds, and COPs Payable	4,125,170	-
Due to Component Units	1,678	-
Net Pension Liability	6,075,695	11,026
Other Postemployment Benefits	343,570	-
Other Long-Term Liabilities	90,555	-
Total Noncurrent Liabilities	11,026,630	11,026
TOTAL LIABILITIES	12,263,112	27,799
DEFERRED INFLOW OF RESOURCES:	49,744	433
NET POSITION:		
Net investment in Capital Assets:	5,533,351	7,575
Restricted for:		
Construction and Highway Maintenance	-	-
Education	506,058	-
Unemployment Insurance	-	920,814
Debt Service	77,134	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	165,637	-
Nonexpendable	91,878	-
Other Purposes	-	-
Unrestricted	(4,020,939)	-
TOTAL NET POSITION	$ 2,353,119	$ 928,389

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 47,468	$ 751,945	$ 2,918,952	$ 38,152
-	662	545,073	-
-	-	125,257	-
-	-	-	-
21,153	28,182	492,683	915
-	54,809	175,436	55
-	4,968	16,109	1,804
-	-	-	-
-	-	23,041	-
1,446	19,008	59,167	870
4,496	6,363	34,454	4,901
74,563	865,937	4,390,172	46,697
-	41,599	192,786	-
-	-	93,661	-
-	-	-	-
-	32,335	2,092,319	-
-	-	-	-
-	-	-	-
-	1,986	110,916	-
286	1,108,896	7,502,746	137,584
-	662,982	1,937,519	910
-	-	-	-
286	1,847,798	11,929,947	138,494
74,849	2,713,735	16,320,119	185,191
13,714	109,549	2,214,324	156,881
-	-	-	-
3,173	54,848	762,522	24,473
-	-	-	-
41	46,723	46,765	-
32,743	9,111	46,661	2,540
-	-	1,249	-
-	53,580	327,816	5,840
-	-	-	-
1	1,519	25,381	488
-	-	-	-
-	475	7,292	21,457
	-	-	-
-	1,040	146,604	-
-	-	-	-
35,576	3,444	131,239	54
71,534	170,740	1,495,529	54,852
-	21,370	21,370	-
-	20	20	-
750	12,232	317,070	9,639
-	-	37,361	-
-	3,337	42,599	81,434
-	-	-	-
-	-	9,251	-
-	527,446	4,652,616	-
-	-	1,678	-
41,111	514,542	6,642,374	555,986
-	-	343,570	-
31	-	90,586	-
41,892	1,078,947	12,158,495	647,059
113,426	1,249,687	13,654,024	701,911
1,427	154,709	206,313	5,002
286	1,447,914	6,989,126	35,601
-	-	-	-
-	-	506,058	-
-	-	920,814	-
-	18,269	95,403	-
-	34,000	34,000	-
-	-	165,637	-
-	-	91,878	-
-	65,961	65,961	-
(26,576)	(147,256)	(4,194,771)	(400,442)
$ (26,290)	$ 1,418,888	$ 4,674,106	$ (364,841)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 646,337
License and Permits	-	110
Tuition and Fees	2,936,863	-
Scholarship Allowance for Tuition and Fees	(619,032)	-
Sales of Goods and Services	2,192,577	-
Scholarship Allowance for Sales of Goods & Services	(24,179)	-
Investment Income (Loss)	1,544	-
Rental Income	16,017	-
Gifts and Donations	42,706	-
Federal Grants and Contracts	1,044,199	20,833
Intergovernmental Revenue	7,566	-
Other	407,060	-
TOTAL OPERATING REVENUES	6,005,321	667,280
OPERATING EXPENSES:		
Salaries and Fringe Benefits	5,502,267	12,065
Operating and Travel	1,533,411	493,744
Cost of Goods Sold	136,741	-
Depreciation and Amortization	423,358	2,379
Intergovernmental Distributions	32,778	-
Debt Service	-	-
Foundation Program Distributions	-	-
Prizes and Awards	440	-
TOTAL OPERATING EXPENSES	7,628,995	508,188
OPERATING INCOME (LOSS)	(1,623,674)	159,092
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	1,479	3,643
Investment Income (Loss)	234,154	17,399
Rental Income	13,431	1
Gifts and Donations	221,577	-
Intergovernmental Distributions	(25,561)	-
Federal Grants and Contracts	260,174	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(217)	-
Insurance Recoveries from Prior Year Impairments	488	-
Debt Service	(163,595)	(1,674)
Other Expenses	(1,731)	-
Other Revenues	18,582	-
TOTAL NONOPERATING REVENUES (EXPENSES)	558,781	19,369
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,064,893)	178,461
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	40,371	-
Additions to Permanent Endowments	-	-
Special Items (See Note 41)	(808)	-
Transfers-In	3,340,736	-
Transfers-Out	(2,937,593)	(18)
TOTAL CONTRIBUTIONS AND TRANSFERS	442,706	(18)
CHANGE IN NET POSITION	(622,187)	178,443
NET POSITION - FISCAL YEAR BEGINNING	3,021,946	749,946
Prior Period Adjustments (See Note 29A)	-	-
Accounting Changes (See Note 29B)	(46,640)	-
NET POSITION - FISCAL YEAR ENDING	$ 2,353,119	$ 928,389

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 646,337	$ -
64	126,583	126,757	-
-	1,673	2,938,536	-
-	-	(619,032)	-
555,334	224,072	2,971,983	354,892
-	-	(24,179)	-
-	5,434	6,978	-
-	2,675	18,692	15,353
-	-	42,706	-
-	427,686	1,492,718	-
-	26,746	34,312	-
834	9,217	417,111	836
556,232	824,086	8,052,919	371,081
15,115	252,866	5,782,313	294,834
58,283	408,833	2,494,271	145,330
12,979	31,759	181,479	-
197	32,286	458,220	28,864
-	12,783	45,561	1
-	13,024	13,024	-
-	-	-	-
341,519	1,028	342,987	3
428,093	752,579	9,317,855	469,032
128,139	71,507	(1,264,936)	(97,951)
-	38,423	38,423	-
-	648	5,770	3
315	3,653	255,521	(164)
-	13,052	26,484	-
-	1,447	223,024	-
(64,464)	-	(90,025)	-
-	-	260,174	-
(8)	60,386	60,161	10,471
-	2,871	3,359	315
-	(10,305)	(175,574)	(2,311)
-	(4,785)	(6,516)	-
-	-	18,582	-
(64,157)	105,390	619,383	8,314
63,982	176,897	(645,553)	(89,637)
-	1,072	41,443	2,093
-	-	-	-
-	-	(808)	-
703	20,422	3,361,861	6,734
(70,417)	(10,367)	(3,018,395)	(5,946)
(69,714)	11,127	384,101	2,881
(5,732)	188,024	(261,452)	(86,756)
(20,558)	1,230,319	4,981,653	(278,085)
-	545	545	-
-	-	(46,640)	-
$ (26,290)	$ 1,418,888	$ 4,674,106	$ (364,841)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 2,348,363	$ -
Fees for Service	2,256,220	6,158
Receipts for Interfund Services	-	-
Sales of Products	69,118	527
Gifts, Grants, and Contracts	1,528,329	17,985
Loan and Note Repayments	500,249	-
Unemployment Insurance Premiums	-	647,563
Income from Property	29,449	1
Other Sources	157,505	-
Cash Payments to or for:		
Employees	(5,389,470)	(12,192)
Suppliers	(1,380,855)	(9,936)
Payments for Interfund Services	-	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(489,455)
Scholarships	(112,405)	-
Others for Student Loans and Loan Losses	(471,429)	-
Other Governments	(32,778)	-
Other	(118,253)	(3)
Component Unit Cash Flows from Operating Activities	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(615,957)	160,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	3,188,825	12
Transfers-Out	(2,916,641)	(31)
Receipt of Deposits Held in Custody	574,444	-
Release of Deposits Held in Custody	(574,915)	(12)
Gifts and Grants for Other Than Capital Purposes	221,347	-
Intergovernmental Distributions	(25,561)	-
Intrafund Transfers	-	-
NonCapital Debt Proceeds	14,752	-
NonCapital Debt Service Payments	(45,952)	(399)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	436,299	(430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(757,101)	(57)
Capital Contributions	11,962	-
Capital Gifts, Grants, and Contracts	15,883	-
Proceeds from Sale of Capital Assets	885,105	-
Capital Debt Proceeds	290,478	125,603
Capital Debt Service Payments	(420,019)	(252,481)
Capital Lease Payments	(8,649)	-
Taxes	-	-
Bond Defeasance and Refunding	-	-
Received from Borrowers	-	-
Disbursements to Borrowers	-	-
Capitalization Grants Received	-	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	17,659	(126,935)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 1,594	$ 2,349,957	$ -
-	278,222	2,540,600	4,892
-	9,002	9,002	354,833
555,334	65,604	690,583	1,344
-	446,243	1,992,557	395
-	-	500,249	-
-	-	647,563	-
-	16,820	46,270	15,350
898	88,678	247,081	3,715
(15,057)	(252,047)	(5,668,766)	(295,002)
(29,259)	(168,384)	(1,588,434)	(113,762)
(381)	(5,125)	(5,506)	(40,366)
(384,906)	(7,414)	(392,320)	(605)
-	-	(489,455)	-
-	-	(112,405)	-
-	-	(471,429)	-
-	(13,142)	(45,920)	(1)
(700)	(304,510)	(423,466)	(99)
-	-	-	-
125,929	155,541	(173,839)	(69,306)
703	43,667	3,233,207	6,831
(70,417)	(31,172)	(3,018,261)	(6,043)
-	1,054	575,498	200
-	(1,053)	(575,980)	(417)
-	1,147	222,494	-
(64,464)	-	(90,025)	-
-	-	-	-
-	722	15,474	-
-	(1,270)	(47,621)	-
(134,178)	13,095	314,786	571
(52)	(315,900)	(1,073,110)	(39,670)
-	-	11,962	-
-	-	15,883	-
5,366	218,885	1,109,356	124,653
-	171,839	587,920	-
-	(10,153)	(682,653)	(54)
-	(606)	(9,255)	(24,043)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,314	64,065	(39,897)	60,886

(Continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	106,469	17,402
Proceeds from Sale/Maturity of Investments	2,079,177	-
Purchases of Investments	(2,308,797)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	126,051	(3)
NET CASH FROM INVESTING ACTIVITIES	2,900	17,399
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(159,099)	50,682
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,621,732	757,411
Prior Period Adjustment (See Note 29)	-	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,462,633	$ 808,093
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (1,623,674)	$ 159,092
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash Provided by Operating Activities:		
Depreciation	423,358	2,379
Investment/Rental Income and Other Revenue in Operating Income	-	-
Net Periodic Pension Cost	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	296,535	3,645
(Gain)/Loss on Disposal of Capital and Other Assets	362	-
Compensated Absences	25,367	-
Insurance Premiums and State Subsidy	-	-
Claims and General Insurance Expenses Paid	-	-
Interest and Other Expense in Operating Income	38,444	1
Provision for Bad Debts	-	-
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	86,810	(2,836)
(Increase) Decrease in Inventories	(439)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	12,993	-
Increase (Decrease) in Accounts Payable	(1,131)	(2,404)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	125,418	771
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (615,957)	$ 160,648
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	27	-
Capital Assets Acquired by Grants or Donations and Payable Increases	51,767	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	20,211	-
Loss on Disposal of Capital and Other Assets	16,874	-
Disposal of Capital Assets	17,575	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	11,271	399
Assumption of Capital Lease Obligation or Mortgage	2,207	-
Financed Debt Issuance Costs	223	-
Gain on Debt Defeasance	-	-
Bad Debt Expense	-	-
Application of Prepaid Lease Expense	-	-
Fair Value Change in Derivative Instrument	(3,971)	-
Deferral of Loss on Derivative Instrument	-	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
669	13,535	138,075	66
-	16,286	2,095,463	-
-	(18,647)	(2,327,444)	-
(354)	(4,479)	121,215	(230)
315	6,695	27,309	(164)
(2,620)	239,396	128,359	(8,013)
50,088	554,148	2,983,379	46,165
-	-	-	-
$ 47,468	$ 793,544	$ 3,111,738	$ 38,152
$ 128,139	71,507	$ (1,264,936)	$ (97,951)
197	32,286	458,220	28,864
-	(5,434)	(5,434)	-
-	-	-	-
-	55,449	355,629	420
-	(15)	347	-
2	960	26,329	(92)
-	-	-	-
-	-	-	-
-	(38,320)	125	306
-	-	-	-
(72)	21,530	105,432	15,500
25	(4,007)	(4,421)	(157)
118	(299)	12,812	(821)
(364)	(278)	(4,177)	(6,600)
(2,116)	22,162	146,235	(8,775)
$ 125,929	$ 155,541	$ (173,839)	$ (69,306)
-	902	929	2,093
-	170	51,937	-
-	-	20,211	-
-	60,252	77,126	10,376
-	-	17,575	-
-	2,927	14,597	144
-	-	2,207	17,852
-	-	223	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(3,971)	-
-	-	-	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 82,697	$ 203,676	$ 581,552
Investments	-	235	-
Taxes Receivable, net	-	-	179,823
Contributions Receivable, net	-	-	-
Other Receivables, net	223	10,788	355
Intrafund Receivables	-	-	-
Due From Other Governments	-	-	-
Due From Other Funds	3,649	8,246	14,098
Internal Balances	-	-	-
Due From Component Units	-	-	-
Inventories	-	-	5
Prepaids, Advances and Deposits	-	-	-
Noncurrent Assets:			
Investments:			
Government Securities	15,849	21,941	-
Bank Acceptances	-	-	-
Commercial Paper	-	-	-
Corporate Bonds	10,917	-	-
Corporate Securities	-	-	-
Repurchase Agreements	-	2,506	-
Asset Backed Securities	4,808	-	-
Mortgages	-	-	-
Mutual Funds	26,264	6,482,118	-
Reverse Repurchase Agreements			
Guaranteed Investment Contracts			
Other Investments	19,135	911,248	-
Contributions Receivable, net	-	-	-
Due From Other Funds	-	-	-
Other Long-Term Assets	-	-	11,371
Depreciable Capital Assets and Infrastructure, net	-	-	-
Land and Nondepreciable Capital Assets	-	-	-
Depreciable Capital Assets for Investment	-	-	-
TOTAL ASSETS	163,542	7,640,758	$ 787,204
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,836
Accounts Payable and Accrued Liabilities	19,512	9,575	1,206
TABOR Refund Liability (Note 8B)	-	-	-
Due To Other Governments	-	-	319,366
Due To Other Funds	-	73	-
Intrafund Payables	-	-	-
Due To Component Units	-	-	-
Unearned Revenue	-	8,356	-
Obligations Under Securities Lending	-	-	-
Compensated Absences Payable	15	-	-
Claims and Judgments Payable	16,077	-	36
Leases Payable	-	-	-
Derivative Instrument Liability			
Notes, Bonds, and COPs Payable	-	-	-
Other Current Liabilities	-	-	426,881
Noncurrent Liabilities:			
Due to Other Funds	-	-	-
Deposits Held In Custody For Others	-	4,343	35,506
Accrued Compensated Absences	35	-	-
Other Long-Term Liabilities	-	-	373
TOTAL LIABILITIES	35,639	22,347	$ 787,204
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	127,903	-	
Investment Trust Participants	-	-	
Individuals, Organizations, and Other Entities	-	7,618,411	
Unrestricted	-	-	
TOTAL NET POSITION	$ 127,903	$ 7,618,411	

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, 2017

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,209,344
Member Contributions	87,153	-
Employer Contributions	301,665	-
Investment Income/(Loss)	3,431	675,134
Employee Participation Fees	-	-
Unclaimed Property Receipts	-	38,796
Other Additions	2,853	3,669
Transfers-In	1,237	-
TOTAL ADDITIONS	396,339	1,926,943
DEDUCTIONS:		
Distributions to Participants	3,231	285,210
Benefits and Withdrawals	-	-
Health Insurance Premiums Paid	154,867	-
Health Insurance Claims Paid	182,716	-
Other Benefits Plan Expense	30,393	-
Payments in Accordance with Trust Agreements	-	743,138
Administrative Expense	-	-
Other Deductions	22,881	-
Transfers-Out	73	23
TOTAL DEDUCTIONS	394,161	1,028,371
TOTAL TRANSFERS	-	-
CHANGE IN NET POSITION	2,178	898,572
NET POSITION - FISCAL YEAR BEGINNING	54,190	6,719,839
Prior Period Adjustments (Note 29)	-	-
Accounting Changes (See Note 29)	71,535	-
NET POSITION - FISCAL YEAR ENDING	$ 127,903	$ 7,618,411

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 231,658	$ 34,693
Deposit on Land		
Investments	-	-
Restricted Securities Not Held for Investment	-	-
Contributions Receivable, net	-	33,943
Other Receivables, net	79,120	24
Intrafund Receivables	-	-
Due From Other Governments	2,719	-
Due From Other Funds	-	-
Internal Balances	-	-
Due From Component Units		-
Inventories	-	-
Prepaids, Advances and Deposits	-	554
Net Pension Asset	-	-
Other Current Assets	-	-
Total Current Assets	313,497	69,214
Noncurrent Assets:		
Restricted Cash and Pooled Cash	109,252	-
Restricted Investments	107,680	-
Restricted Receivables	1,600	-
Restricted Securities Not Held for Investment	-	-
Investments	-	1,496,421
Contributions Receivable, net	-	77,591
Due From Other Funds	-	-
Net Pension Asset	-	-
Other Long-Term Assets	929,794	-
Depreciable Capital Assets and Infrastructure, net	34	434
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,148,360	1,574,446
TOTAL ASSETS	1,461,857	1,643,660
DEFERRED OUTFLOW OF RESOURCES:	5,035	-
LIABILITIES:		
Current Liabilities:		
Tax Refunds Payable	-	-
Accounts Payable and Accrued Liabilities	13,381	9,290
TABOR Refund Liability (Note 8B)	-	-
Due To Other Governments	413	-
Notes, Bonds, and COPs Payable	40,700	-
Other Postemployment Benefits	-	-
Other Current Liabilities	137,640	15,845
Total Current Liabilities	192,134	25,135
Noncurrent Liabilities:		
Due to Other Funds	-	
Deposits Held In Custody For Others	-	331,283
Notes, Bonds, and COPs Payable	478,065	-
Due to Component Units		
Net Pension Liability	4,095	-
Other Postemployment Benefits		
Other Long-Term Liabilities	80,553	15,314
Total Noncurrent Liabilities	562,713	346,597
TOTAL LIABILITIES	754,847	371,732
DEFERRED INFLOW OF RESOURCES:	321	-
NET POSITION:		
Net investment in Capital Assets:	34	434
Permanent Funds and Endowments:		
Expendable	-	721,412
Nonexpendable	-	495,077
Other Purposes	669,401	-
Held in Trust for:		
Pension/Benefit Plan Participants	-	-
Investment Trust Participants	-	-
Individuals, Organizations, and Other Entities	-	-
Unrestricted	42,289	55,005
TOTAL NET POSITION	$ 711,724	$ 1,271,928

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 1,023	$ 11,503	$ 2,128	$ 22,792	$ 303,797
			-	-
-	-	-	7,795	7,795
-	-	-	-	-
13,211	6,871	2,656	-	56,681
-	1,631	135	677	81,587
-	-	-	-	-
-	-	-	330	3,049
	-	-	-	-
	-	-	-	-
	-	-	-	
-	-	-	-	-
365	-	-	2,309	3,228
-	-	-	-	-
-	-	-	-	-
14,599	20,005	4,919	33,903	456,137
-	59	-	10,967	120,278
-	-	-	-	107,680
-	-	-	-	1,600
-	-	-	-	-
425,163	282,718	104,368	55,681	2,364,351
31,416	25,591	4,453	-	139,051
-	-	-	-	-
-	-	-	-	-
644	284	92	1,200	932,014
21	-	965	202,477	203,931
-	-	-	58,980	58,980
457,244	308,652	109,878	329,305	3,927,885
471,843	328,657	114,797	363,208	4,384,022
-	-	-	-	5,035
-	-	-	-	-
1,436	3,287	670	2,202	30,266
-	-	-	-	-
-	-	-	-	413
-	-	-	6,755	47,455
-	-	-	-	-
-	-	-	1,352	154,837
1,436	3,287	670	10,309	232,971
				-
13,009	31,923	603	-	376,818
-	-	-	116,446	594,511
-	-	-	-	4,095
807	9,803	131	19,142	125,750
13,816	41,726	734	135,588	1,101,174
15,252	45,013	1,404	145,897	1,334,145
-	-	-	-	321
21	-	965	214,103	215,557
254,394	107,987	23,984	-	1,107,777
181,194	155,903	78,830	-	911,004
-	-	-	3,408	672,809
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20,982	19,754	9,614	(200)	147,444
$ 456,591	$ 283,644	$ 113,393	$ 217,311	$ 3,054,591

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Unemployment Insurance Premiums	-	-
License and Permits	-	-
Fees	$ 28,782	$ -
Scholarship Allowance for Tuition and Fees	-	-
Sales of Goods and Services	-	-
Scholarship Allowance for Sales of Goods & Services	-	-
Investment Income (Loss)	7,533	-
Rental Income	-	-
Gifts and Donations	-	177,591
Federal Grants and Contracts	5,985	-
Intergovernmental Revenue	-	-
Other	200	1,969
TOTAL OPERATING REVENUES	42,500	179,560
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,623	-
Operating and Travel	18,898	24,940
Cost of Goods Sold	-	-
Depreciation and Amortization	10	91
Intergovernmental Distributions	-	-
Debt Service	23,606	-
Foundation Program Distributions	-	106,214
Prizes and Awards	-	-
TOTAL OPERATING EXPENSES	44,137	131,245
OPERATING INCOME (LOSS)	(1,637)	48,315
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	-	-
Investment Income (Loss)	-	(21,084)
Rental Income	-	-
Gifts and Donations	-	-
Intergovernmental Distributions	-	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-
Insurance Recoveries from Prior Year Impairments	-	-
Debt Service	-	-
Other Expenses	-	(13)
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(21,097)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,637)	27,218
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	41,085	-
Additions to Permanent Endowments	-	-
Special Items (See Note 41)	-	-
Transfers-In	-	-
Transfers-Out	-	-
Intrafund Transfer-In	-	-
Intrafund Transfer-Out	-	-
TOTAL CONTRIBUTIONS AND TRANSFERS	41,085	-
CHANGE IN NET POSITION	39,448	27,218
NET POSITION - FISCAL YEAR BEGINNING	672,276	1,244,710
Prior Period Adjustments (See Note 29A)	-	-
Accounting Changes (See Note 29B)	-	-
NET POSITION - FISCAL YEAR ENDING	$ 711,724	$ 1,271,928

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
-	-	-	-	-
-	-	-	-	-
$ -	$ 1,900	$ -	$ -	$ 30,682
-	-	-	-	-
-	-	-	9,853	9,853
-	-	-	-	-
-	-	-	(1,414)	6,119
-	-	-	1,660	1,660
97,395	14,592	7,049	44	296,671
-	-	-	-	5,985
-	-	-	-	-
12,521	716	437	18,474	34,317
109,916	17,208	7,486	28,617	385,287
-	-	-	-	1,623
5,089	6,774	974	11,745	68,420
-	-	-	-	-
9	3	50	8,328	8,491
-	-	-	-	-
-	-	-	-	23,606
47,595	21,643	10,632	-	186,084
-	-	-	-	-
52,693	28,420	11,656	20,073	288,224
57,223	(11,212)	(4,170)	8,544	97,063
-	-	-	-	-
-	-	-	-	-
(9,409)	(12,914)	(2,351)	366	(45,392)
-	-	-	-	-
-	-	-	53	53
-	-	-	-	-
-	-	-	991	991
-	-	-	-	-
-	-	-	-	-
-	-	-	(7,073)	(7,073)
-	-	-	(6)	(19)
-	-	-	1,326	1,326
(9,409)	(12,914)	(2,351)	(4,343)	(50,114)
47,814	(24,126)	(6,521)	4,201	46,949
-	-	-	-	41,085
-	-	-	-	-
-	-	-	(1,721)	(1,721)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(1,721)	39,364
47,814	(24,126)	(6,521)	2,480	86,313
408,777	307,770	119,914	214,831	2,968,278
-	-	-	-	-
-	-	-	-	-
$ 456,591	$ 283,644	$ 113,393	$ 217,311	$ 3,054,591

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 30,682			
Sales of Goods and Services	9,853			
Investment Income (Loss)	6,119	(6,087)		
Rental Income	1,660			
Gifts and Donations	296,671	(304,997)		
Federal Grants and Contracts	5,985	(5,985)		
Other	34,317	(15,642)		
TOTAL OPERATING REVENUES	385,287	(332,711)	52,576	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,623			
Operating and Travel	68,420			
Depreciation and Amortization	8,491			
Debt Service	23,606	7,073		
Foundation Program Distributions	186,084			
Other Expenses	-	19		
TOTAL OPERATING EXPENSES	288,224	7,092	295,316	EXPENSES
OPERATING INCOME (LOSS)	97,063			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	(45,392)	45,392		
Gifts and Donations	53	(53)		
Federal Grants and Contracts	991	(991)		
Debt Service	(7,073)	7,073		
Other Expenses	(19)	19		
Other Revenues	1,326	(1,326)		
TOTAL NONOPERATING REVENUES (EXPENSES)	(50,114)	50,114		
		302,648	302,648	OPERATING GRANTS & CONTRIBUTIONS
		2,317	2,317	CAPITAL GRANTS & CONTRIBUTIONS
		17,546	17,546	UNRESTRICTED INVESTMENT EARNINGS
		8,263	8,263	OTHER GENERAL REVENEUS
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	46,949			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	41,085	(41,085)		
Special Items (See Note 41)	(1,721)			
TOTAL CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:	39,364	(41,085)	(1,721)	SPECIAL AND/OR EXTRAORDINARY ITEM
CHANGE IN NET POSITION	86,313		86,313	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,968,278		2,968,278	NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	$ 3,054,591		$ 3,054,591	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Years 2016 and 2017, the State implemented GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68. While the State as the primary government implemented GASB Statement No. 73 during Fiscal Year 2016, certain provisions of the Statement apply to the University of Colorado's Alternate Medicare Plan (AMP) during Fiscal Year 2017. In addition, since the Colorado Water Resources and Power Development Authority's year-end is December 31, 2016, certain provisions of GASB Statement No. 73 related to CWRPDA were implemented during Fiscal Year 2017.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The new standard replaces Statement Nos. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures. Colorado State University System has the following four OPEB plans held in trust that fall under the scope of GASB Statement No. 74: (1) Retiree Medical Premium Refund Plan (RMPR), (2) Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS), (3) Umbrella RX Plan (URX), and (4) Long-Term Disability Insurance Plan (LTD).

GASB Statement No. 82 – Pension Issues—an amendment of GASB Statement Nos. 67, 68, and 73. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67 Financial Reporting for Pension Plans, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68. Specifically, GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

C. REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity, as amended by GASB Statement No. 61, The 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.

The following entities qualify as major discretely presented component units:

- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation

Other Component Units (Nonmajor):

- Denver Metropolitan Major League Baseball Stadium District
- Colorado Venture Capital Authority
- HLC @ Metro, Inc.
- University of Colorado Real Estate Foundation

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

Component Unit (Non Foundation)	**Board Appointment**	**Ability to Impose Will**	**Financial Benefit/Burden Relationship**
Colorado Water Resources and Power Development Authority	Appointment by the Governor, with consent of the Senate.	Water projects are subject to General Assembly authorization.	The Authority can enter into agreements in name of the State, while the State is required to develop project use plans for the Authority at no cost. The State may also appropriate funds in order for the Authority to meet its debt service requirements.
Denver Metropolitan Major League Stadium District	Appointment by the Governor, with consent of the Senate.	Board members serve at the pleasure of the Governor.	None.
Colorado Venture Capital Authority	Appointment by the Governor or legislature.	Bond issuance is contingent on legislative approval.	The Authority was capitalized based on general-purpose revenue tax credits.
HLC @ Metro, Inc.	Appointment by the State through the Metropolitan State University of Denver Board of Trustees.	The Board of Trustees of the Metropolitan State University of Denver controls and supervises the board of HLC @ Metro, Inc.	Metro State University of Denver has guaranteed the debt of HLC @ Metro, Inc.

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

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

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

University of Colorado Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203

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

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

University of Northern Colorado Foundation
1620 Reservoir Road
Greeley, Colorado 80631

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street, Suite 300
Denver, Colorado 80205

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

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

University of Colorado Real Estate Foundation
1800 Grant Street, Suite 725
Denver, Colorado 80203-1114

The following related organizations, for which the State appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14, as amended by GASB Statements No. 39 and 61:

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

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

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

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. Those that are identifiable within an Enterprise Fund with bonds or debt instruments outstanding and a revenue stream pledged in support of that debt are required to be accounted for separately as segments (see Note 18).

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

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

D. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

E. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

<u>General Fund</u>

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.

<u>Resource Extraction</u>

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.

<u>Highway Users Tax Fund</u>

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

<u>Capital Projects Fund</u>

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

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

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

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

General Fund

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

Capital Projects

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

Special Revenue Funds

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

Debt Service Fund

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

Permanent Funds

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

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds

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

Internal Service Funds

The State uses internal service funds to account for 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), the Multistate Lottery Winners Trust Fund and several smaller funds shown in the aggregate as Other.

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2016.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while the Venture Capital Authority, a nonmajor component unit, applies applicable GASB pronouncements. The financial information for the Denver Metropolitan Major League Baseball Stadium District and the Venture Capital Authority are presented as of December 31, 2016.

The five foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the five foundation component units and HLC @ Metro, Inc. are presented as of June 30, 2016.

F. BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred.

G. 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

Component Units

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

INVENTORIES

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

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

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

INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value, except for certain money market investments (see Note 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.

Component Units

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

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

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

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 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 as well as buildings and software.

(Amounts in Dollars)

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

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

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	50
Vehicles and Equipment	1	50
Software	2	20
Library Books	3	20
Other Capital Assets	3	25
Infrastructure	20	75

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

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

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

Primary Government

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

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

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

Component Units

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

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 AND FUND BALANCES

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

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

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

<u>Net Investment in Capital Assets</u> – This item comprises capital assets net of accumulated depreciation, if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset, deferred outflows related to refunding losses also adjust this line item.

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

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

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

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

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

Restricted for Emergencies – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve for emergencies three percent or more of fiscal year spending. Fiscal year spending is defined in TABOR as all spending and reserve increases, except for spending from certain excluded revenues and enterprises. State properties and the Unclaimed Property Trust Fund included as part of the required reserve are not represented in this amount. (See Note 2B for more information on the current year amount of the emergency reserve.)

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

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

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

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

Nonspendable – This fund balance category consists of inventories; prepaid expenditures 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.

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the Colorado Water Conservation Board Construction Fund and the Severance Tax Perpetual Base Fund in Resource Extraction, and the Controlled Maintenance Trust Fund within special-purpose General Funds. Gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, and funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

In addition to restrictions on the government-wide *Statement of Net Position*, the *Balance Sheet – Governmental Funds* includes restrictions for other financing arrangements under which the proceeds are restricted to the purpose of the issuance. The unspent proceeds are primarily related to public school construction under the Building Excellent Schools Today (BEST) program, in the Special Purpose General Fund.

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) to reserve six percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result, only the remaining GAAP fund balance of $444.0 million was committed for this purpose.

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 2016-17 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds, unless the fund balance is a deficit. For Fiscal Year 2016-17, there was no unassigned fund balance, because of the shortfall in the statutory reserve discussed in the Committed section of this note.

H. 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, and
- 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 that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2016-17. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses allocation statistics from Fiscal Year 2013-14 and costs from the Fiscal Year 2015-15 Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2016-17. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 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 Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The statute also provides for $250,000 of general-funded overexpenditure authority in the Children's Basic Health Plan. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $3.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

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

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

Total overexpenditures at June 30, 2017, were $33.3 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- <u>Medical Services Premiums</u> – The Department of Health Care Policy and Financing overexpended this line item by $6.8 million of cash funds and $0.4 million of reappropriated cash funds. This appropriation pays for the majority of Medicaid services rendered for clients. The overexpenditures occurred as a result of higher than expected utilization of services by Medicaid clients.

- <u>Behavioral Health Fee-for-Service</u> – This appropriation line pays for Medicaid covered Behavioral Health services that are paid on a fee-for-service basis to providers. An unexpected increase in utilization is the cause of the general fund overexpenditure of this line in the amount of $9.8 million.

- <u>Children's Basic Health Plan Medical and Dental Costs.</u> – The Children's Basic Health Plan Medical and Dental Costs appropriation covers expenditures for services rendered for CHP+ clients. The cash overexpenditure in the amount of $0.8 million cash funds occurred as a result of a recoupment for dates of services in a prior fiscal year that the department was not expecting to be made this fiscal year.

- <u>Public School Health Services.</u> – The Public School Health Services appropriation covers expenditures for Medicaid services provided by school districts. The department believes that the $0.5 million cash fund overexpenditure is due to unexpected increase in Medicaid utilization. The cash funds within this appropriation are certified as public expenditures incurred by the districts and are eligible for federal financial participation under Medicaid.

- <u>Regional Centers.</u> – This appropriation line pays for Home and Community Based Services Developmental Disabilities Waiver (HCBS-DD) claims and Intermediate Care Facility (ICF) expenditures for Medicaid clients in state run Regional Centers. The $1.5 million general fund overexpenditure is related to both of these activities being higher than expected.

Approved Department of Human Services Overexpenditures Other Than Medicaid Subject to the $1.0 Million Limit:

- Early Intervention Services - This appropriation covers services for Community Centered Boards (CCB). This $0.7 million general fund overexpenditure occurred as a result of unanticipated and significant caseload growth during the last quarter of the year, and also the increase in utilization of CCBs conducting birth through two years of age evaluations that local school districts were unable to complete within the required time frame.

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

- Vehicle Replacement Lease/Purchase - The Department of Personnel and Administration $1.2 million overexpended cash funds on this line due to the fact that the FY 2017 appropriation was reduced even though the authorized replacement vehicles to be ordered from the FY 2016 Fleet Trust was not.

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

- Hospital Provider Fee Fund – This cash fund resided at the Department of Health Care Policy and Financing, but was repealed with the passing of Senate Bill 17-267. Cleanup on the fund left the Department with a fund balance deficit of $5.1 million.
- Disaster Emergency Fund – The Department of Public Safety had a deficit fund balance in this fund in the amount of $3.2 million related to the department receiving a large FEMA reimbursement of prior year expenditures therefore a reduction to current year revenue was made to refund the funds back to the Governor's Office that exceeded current year expenditures.
- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2.0 million. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has decreased from last year's amount of $2.9 million.
- Aviation Fund – The Department of Transportation had a deficit fund balance in this fund in the amount of $0.7 million related to lower than anticipated tax revenues resulting from low fuel prices. The deficit this year has decreased from last year's amount of $5.2 million.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2016-17 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2016:

- Health Care Expansion Fund - $0.4 million
- Medicaid Buy-In Cash Fund - $0.2 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 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) which began in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The beginning base for the ESRC was the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2007-08.

In Fiscal Year 2014-15 a TABOR refund was due to taxpayers. Revenue subject to TABOR that year was $12,530.8 million, which exceeded the ESRC of $12,361.0 million by $169.7 million. The total refund payable triggered by the excess revenue was $169.7 million, plus $3.6 million of understated and un-refunded amounts from prior years, or $173.3 million. Since Fiscal Year 2014-15, various corrections to revenue for that year have resulted in a $14.2 million reduction in the amount originally calculated. Since Fiscal Year 2014-15, $137.3 million of refunds have been issued, and at the end of Fiscal Year 2016-17 the remaining amount payable to taxpayers is $21.8 million.

Revenue in Fiscal Year 2016-17 subject to the ESRC was $12,891.9 million, which is $435.9 million under the $13,327.8 million ERSC, and $2,130.3 million over the original TABOR limit.

Since the inception of Referendum C in Fiscal Year 2005-06, the State has retained $16,903.7 million (unadjusted for prior year errors) – $3,593.6 million during the initial five year revenue retention period, and an additional $13,310.1 million as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2016-17.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2016-17 that amount was $386.8 million.

At June 30, 2017, the financial net positions, or fund balances of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83.0 million set in the Long Appropriations Act. Only $78.4 million of this fund's balance was restricted since, at June 30, 2017 its net assets were less than $83.0 million. The assets restricted were net cash of $66,.7 million and investments, excluding unrealized gains, of $11.8 million.

- 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 – $68.0 million set in the Long Appropriations Act. Only $50.0 million of this fund's net assets were restricted, all of it cash, since at June 30, 2017 its net assets were less than $68.3 million. During the fiscal year, $20.1 million was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through four executive orders, to pay for the costs of fighting wildfires across the state.

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

- The 2016 legislative session Long Appropriations Act designated up to $142.3 million of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2016 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated and designated in the Long Appropriations Act, or available in the designated funds as detailed above, the amount restricted for the reserve was $11.1 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. The Governor's Office will work with the Legislature to address the constitutional emergency reserve.

NOTE 3 – CASH AND RECEIVABLES

CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all State agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Purpose Revenue Fund unless a specific statute directs otherwise. Most funds are required to 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 is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Purpose Revenue Fund – the payer of last resort for the pool.

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $6,635.4 million ($6,638.7 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2017, the treasurer had invested $6,770.2 million (fair value) of the pool and held no certificates of deposit.

The State had an accounting system cash deposit balance of $1,486.9 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $54.5 million of the State's total bank balance of $1,535.4 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $1.2 million with bank balances of $1.2 million at December 31, 2016. Of the booked amount, $250,000 was federally insured. The authority also reported as cash and cash equivalents $30.0 million held by the State Treasurer, $291.5 million held in COLOTRUST and CSAFE, and $19.3 million held in a third party, short-term, prime investment fund. COLOTRUST (Colorado Local Government Liquid Asset Trust) and CSAFE (Colorado Surplus Asset Fund Trust) are local government investment vehicles that qualify as 2a7-like investment pools, where the value of each share is maintained at $1.00. COLOTRUST, CSAFE and the third party investment fund have credit quality ratings of AAA, while cash held by the State Treasurer is not rated for credit quality.

NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

Activities section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general-purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Higher Education Institutions and certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and the related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the Statement of Net Position also includes a real account, either asset or liability, that is measured at fair value, but does not represent a current cash transaction.

RECEIVABLES

Primary Government

The Taxes Receivable of $1,450.9 million shown on the government-wide *Statement of Net Position* in current assets primarily comprises the following:

- $1,509.5 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount includes $227.00 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.

- $125.3 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.
- $33.5 million recorded in nonmajor special revenue funds which include approximately $12.3 million from gaming tax, $11.8 million from insurance premium tax, and $10.9 million from tobacco tax.

The Restricted Receivables of $587.6 million shown on the government-wide *Statement of Net Position* in noncurrent assets related primarily to $56.6 million of Taxes Receivable, $47.2 million of Other Receivables, and $483.7 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 $1,208.9 million shown on the government-wide *Statement of Net Position* are net of $249.1 million in allowance for doubtful accounts and primarily comprise the following:

- $440.2 million of student and other receivables of Higher Education Institutions.
- $608.4 million of receivables recorded in the General Fund, of which $17.3 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $651.0 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $3.7 million of patient receivables.
- $76.1 million recorded by Other Governmental Funds including $40.2 million of tobacco settlement revenues expected within the following year, $7.8 million of rent and royalty receivables recorded by the State Lands Fund and $16.3 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.
- $21.5 million recorded by the Resource Extraction Fund.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $922.5 million at December 31, 2016. During 2016, the authority made new loans of $132.6 million and canceled or received repayments for existing loans of $101.1 million.

University of Colorado Foundation contributions receivable of $33.9 million and $77.6 million are reported as Contributions Receivable current and noncurrent, respectively, in the Statement of Net Position – Component Units. At June 30, 2016, the amount reported as contributions receivable totals $125.3 million of unconditional promises to give which were offset by an $11.6 million allowance for uncollectible contributions and a $2.2 million unamortized pledge discount using discount rates ranging from 0.41 percent to 5.81 percent.

At June 30, 2016, Contributions Receivable for the Colorado State University Foundation included contributions of $47.3 million, which were offset by $1.5 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $1.2 million of allowance for uncollectible pledges. At June 30, 2016, contributions from two donors represented approximately 36 percent of net contributions receivable for the foundation.

At June 30, 2016, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $30.8 million was offset by $3.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 54 percent of the foundation’s contributions receivable at June 30, 2016, consists of a pledge from one donor and approximately $4.9 million is due from trusts held by others.

At June 30, 2016, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was $7.3 million. It was offset by $0.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 60 percent of the foundation’s contributions receivable at June 30, 2016 consists of pledges from two donors and approximately 26 percent of its contributions for the year are from three donors.

INVENTORIES

Inventories of $113.33 million shown on the government-wide *Statement of Net Position* at June 30, 2017, primarily comprise:

- $66.4 million of resale inventories, of which, Resource Extraction recorded $35.1 million, and Higher Education Institutions recorded $27.8 million, and
- $23.4 million of consumable supplies inventories, of which, $10.9 million was recorded by the Higher Education Institutions, $9.1 million was recorded by the Highway Users Tax Fund, $2.2 million by the General Purpose Revenue Fund, and $0.7 million by Parks and Wildlife, a nonmajor enterprise fund, and
- $16.9 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund.

PREPAIDS AND ADVANCES

Prepaids and Advances of $106.5 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.1 million in advances to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- $15.2 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $15.8 million prepaid by Higher Educational Institutions, of which $7.2 million was related to cash payments for library subscriptions at Colorado State University.
- $4.5 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 $725.8 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 $227.0 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 $387.1 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($9.8 million), a major special revenue fund, and the Resource Extraction Fund ($350.8 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $110.9 million shown as Other Long-term Assets on the *Statement of Net Position – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.

NOTE 4 – INVESTMENTS

Primary Government

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

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including State agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 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 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 calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2016-17, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $4.6 million, for the Unclaimed Property Tourism Trust Fund of $356,670 and for the Major Medical Fund of $77,374. For the Treasurer's pooled cash fund, the State Treasurer realized a gain from the sale of investments of $172,747.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2017 and 2016, the treasurer had $78.4 million and $85.9 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 $8.6 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $4.3 million as of June 30, 2017. See Note 18 for additional details.

Excluding fiduciary funds, the State recognized $1,359,515 of net realized gains from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2016-17.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 3)	$ 1,487,652
Investments:	
Governmental Activities	7,895,853
Business-Type Activities	2,731,054
Fiduciary Activities	7,495,020
Less: Cash in Clearing Accounts	(2,165)
Total	$ 19,607,414
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 6,351,927
Add: Warrants Payable Included in Cash	219,990
Total Cash and Pooled Cash	6,571,917
Add: Restricted Cash	1,686,782
Add: Restricted Investments	961,233
Add: Investments	10,387,482
Total	$ 19,607,414

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $5.5 million is reported in the Public School Buildings Fund, a Special Purpose General Fund. Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The Other category of the Treasurer's pool primarily consists of World Bank supranational loans for $684.5 million. The *Other* category of the Other Governmental funds comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($79.4 million) reported in the Debt Service Fund, an Other Governmental Fund and $3.2 million related to investments in the Public School Fund.

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

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 2,087,279	$ -	$ 310,441	$ 2,397,720
Commercial Paper	$ 746,131	$ -	$ -	746,131
Corporate Bonds	$ 2,400,213	$ -	$ 299,970	2,700,183
Asset Backed Securities	$ 577,902	$ -	$ 161,919	739,821
Mortgages Securities	$ 2,078	$ 8,608	$ 159,648	170,334
Mutual Funds	$ 265,000	$ -	$ 2,724	267,724
Other	$ 694,608	$ 5,472	$ 173,860	873,940
TOTAL INVESTMENTS	$ 6,773,211	$ 14,080	$ 1,108,562	$ 7,895,853

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: a variety of investments held by the University of Colorado Foundation ($391.7 million), the Colorado State University Foundation ($13.6 million), and the Colorado School of Mines Foundation ($34.4 million); money market funds ($357.7 million); equity trusts ($346.5 million); fixed income trusts ($42.9 million); municipal bonds and securities ($16.7 million) and other investments ($12.8 million).

The *Other* category of the Other Enterprise funds are primarily comprises the Bridge Enterprise trustee's holdings that include unexpended proceeds of $18.3 million from prior years of bond issuances.

The *Other* category of the Fiduciary funds primarily comprises money market funds held by CollegeAssist trustee's holdings that include unexpended proceeds of $758.5 million from prior years of bond issuances.

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

(Amounts in Thousands)

	Business- Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 393,276	$ -	$ 393,276	$ 38,025
Commercial Paper	1,996	-	1,996	-
Corporate Bonds	283,562	-	283,562	10,917
Repurchase Agreements	20,226	-	20,226	2,506
Asset Backed Securities	110,488	-	110,488	4,808
Mortgages Securities	26,656	-	26,656	-
Mutual Funds	657,688	510	658,198	6,508,381
Other	1,216,191	20,461	1,236,652	930,383
TOTAL INVESTMENTS	$ 2,710,083	$ 20,971	$ 2,731,054	$ 7,495,020
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 290	$ -	$ 290	$ -
Corporate Bonds	449	-	449	-
Repurchase Agreements	-	-	-	2,506
Mutual Funds	14,512	-	14,512	-
Other	50,558	-	50,558	18,824
TOTAL SUBJECT TO CUSTODIAL RISK	$ 65,809	$ -	$ 65,809	$ 21,330

Credit Quality Risk

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

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

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

In addition to the amounts shown in the following table:

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

(Amounts In Thousands)

Standard & Poor's	Moody's	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:											
Long-term Ratings											
AAA		$ 684,548	$ -	$ 65,042	$ -	$ 577,902	$ -	$ -	$ -	$ 265,000	$ 1,592,492
AA		310,875	-	915,332	-	-	-	-	-	10,060	$ 1,236,267
A		894,448	746,131	1,381,668	-	2,078	-	-	-	-	$ 3,024,325
BBB		-	-	35,175	-	-	-	-	-	-	$ 35,175
Total T-Pool		**1,889,871**	**746,131**	**2,397,217**	**-**	**579,980**	**-**	**-**	**-**	**275,060**	**5,888,259**
Higher Education Institutions:											
Long-term Ratings											
AAA		-	-	11,456	-	64,377	-	-	-	6,921	82,754
	Aaa	244,629	-	19,294	-	26,708	367,567	-	-	529	658,727
AA		138,853	-	63,019	-	28,080	-	-	-	8,660	238,612
	Aa	541	-	18,668	-	3,666	-	-	-	2,873	25,748
A		-	-	111,908	-	4,162	-	-	-	307	116,377
	A	-	-	60,052	-	5,275	-	-	-	233	65,560
BBB		-	-	86,592	-	2,790	-	-	-	-	89,382
	Baa	-	-	56,084	-	1,904	-	-	-	-	57,988
BB		-	-	249	-	72	-	-	-	-	321
	Ba	-	-	2,359	-	188	-	-	-	-	2,547
B		-	-	57	-	60	-	-	-	-	117
	B	-	-	-	-	1,164	-	-	-	-	1,164
CCC		-	-	890	-	1,049	-	-	-	-	1,939
	Caa	-	-	2,295	-	186	-	-	-	-	2,481
D		-	-	1,354	-	56	-	-	-	-	1,410
	Ca	-	-	320	-	141	-	-	-	-	461
Short-term Ratings											
	P-1	-	1,996	-	-	-	-	-	-	-	1,996
Unrated		106,301	-	9,819	20,226	33,694	155	127,534	-	429	298,158
Total Higher Ed		**490,324**	**1,996**	**444,416**	**20,226**	**173,572**	**367,722**	**127,534**	**-**	**19,952**	**1,645,742**
Fiduciary Funds:											
Long-term Ratings											
	Aaa	-	-	-	2,506	-	-	-	-	-	2,506
Unrated		-	-	-	-	-	4,561,541	2,679,108	152,717	-	7,393,366
Total Fiduciary		**-**	**-**	**-**	**2,506**	**-**	**4,561,541**	**2,679,108**	**152,717**	**-**	**7,395,872**
All Other Funds:											
Long-term Ratings											
AAA		-	-	41,235	-	161,919	-	-	-	-	203,154
	Aaa	-	-	-	-	-	2,448	-	-	-	2,448
AA		113,496	-	178,559	-	155,377	827	-	-	3,211	451,470
	Aa	-	-	-	-	-	-	-	-	1,120	1,120
A		-	-	71,925	-	-	-	-	-	-	71,925
BBB		-	-	8,251	-	-	-	-	-	-	8,251
Unrated		-	-	-	-	8,608	7,366	6,853	-	4,271	27,097
Total Other		**113,496**	**-**	**299,970**	**-**	**325,904**	**10,641**	**6,853**	**-**	**8,602**	**765,465**
Total		**$ 2,493,691**	**$ 748,127**	**$ 3,141,603**	**$ 22,732**	**$ 1,079,456**	**$ 4,939,904**	**$ 2,813,495**	**$ 152,717**	**$ 303,614**	**$ 15,695,338**

Interest Rate Risk

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

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

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years. The policy also sets maturity limits for the Unclaimed Property Tourism Promotion Trust Fund (1 - 30 years).

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds for $269.7 million with a duration of 8.3 years and a short-term inflation protected securities index fund for $70.2 million with a duration of 2.6 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

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)

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 2,087,279	1.463	$ 80,785	5.256	$ 15,849	6.630	$ 332,382	12.866
Commercial Paper	746,131	0.100	1,996	0.500	-	-	-	-
Corporate Bonds	2,397,218	3.054	129,188	4.800	10,917	2.000	299,970	7.307
Asset Backed Securities	579,981	2.161	60,608	3.600	4,808	0.930	321,567	4.407
Money Market Mutual Funds	265,000	-	-	-	-	-	-	-
Municipal Bonds	10,060	4.000	-	-	-	-	3,211	3.000
Other	684,548	0.147	18,808	6.023	-	-	-	-
Total Investments	$ 6,770,217		$ 291,385		$ 31,574		$ 957,130	

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

The University of Colorado holds repurchase agreements of $20.2 million to provide temporary investment of funds restricted for capital construction projects. The repurchase agreements are over-collateralized and the counterparty to the agreements is required to provide additional collateral should the market value of securities held as collateral decline below 104 percent for U.S. Treasuries and GNMA obligations or 105 percent for FHLMC and FNMA obligations. As a result, the University does not have interest rate risk associated with these agreements. The $20.2 million is not shown in the following duration table.

Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The trustees' investment in the pool is not segregated, but is a share in the overall pool.

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Government Securities	$ 331,156	7.772
Municipal Bonds	3,282	13.269
Corporate Bonds	153,362	8.272
Certificates of Deposit	298	21.953
Asset Backed Securities	49,880	11.454
Repurchase Agreements	20,226	1.495
Bond Mutual Funds	127,337	3.339
Colorado School of Mines:		
Bond Mutual Fund - 1	$ 962	6.700
Bond Mutual Fund - 2	715	2.200
Bond Mutual Fund - 3	446	0.600
Colorado Mesa University:		
U.S. Government Securities	$ 487	3.177
Corporate Bonds	1,013	3.987
Taxable Municipal Bonds	483	4.297
Bond Mutual Funds	197	3.500
Private Purpose Trust Funds:		
CollegeInvest:		
Bond Mutual Fund - 1	$ 757,582	6.700
Bond Mutual Fund - 2	815,203	6.100
Bond Mutual Fund - 3	521,288	0.112
Bond Mutual Fund - 4	432,882	1.900
Bond Mutual Fund - 5	220,417	7.800
Bond Mutual Fund - 6	60,395	4.500
Bond Mutual Fund - 7	48,496	6.100
Bond Mutual Fund - 8	4,247	6.000

Foreign Currency Risk

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

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for 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.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2016-17	Fiscal Year 2015-16
Governmental Activities:		
Major Funds		
General - General Purpose	$ (4,898)	$ 2,525
General - Special Purpose	(3,892)	2,224
Resource Extraction	(5,845)	2,384
Highway Users Tax	(5,465)	2,350
Capital Projects-Regular	(2,070)	910
Capital Projects-Special	(36)	17
State Education	(2,142)	(188)
NonMajor Funds:		
State Lands	(23,461)	21,717
Other Permanent Trusts	(65)	35
Labor	(1,526)	(573)
Gaming	(851)	378
Tobacco Impact Mitigation	(890)	517
Resource Management	(99)	47
Environment Health Protection	(869)	422
Other Special Revenue	(2,925)	1,712
Unclaimed Property	(6,081)	5,018
Information Technology	(178)	81
Administrative Courts	(8)	5
Legal Services	(42)	20
Other Internal Service	(2)	1
Business-Type Activities:		
Major Funds		
Higher Education Institutions	126,051	(72,406)
Unemployment Insurance	(3)	-
Lottery	(354)	208
NonMajor Funds:		
CollegeInvest	(580)	429
Wildlife	(958)	482
College Assist	(883)	515
Correctional Industries	(36)	21
State Nursing Homes	(125)	54
Prison Canteens	(43)	23
Petroleum Storage Tank	(23)	8
Transportation Enterprise	(1,796)	610
Other Enterprise Activities	(35)	13
Fiduciary:		
Pension/Benefits Trust	(35)	(232)
Private Purpose Trust	422,254	(189,164)
	$ 482,089	$ (219,837)

Fair Value Measurements

To the extent available, the State’s investments are recorded at fair value as of June 30, 2017. Fair value is the price that would be received to sell and 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 – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

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, 2017:

(Amounts in Thousands)

	Fair Value as of 6/30/2016 (in thousands)	Fair Value Measurements Using: 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. Government Securities	$ 2,829,020	$ 2,253,061	$ 575,959	$ -
Commercial Paper	748,128	-	748,128	-
Corporate Bonds	2,994,662	70,425	2,892,888	31,349
Corporate Equities	11,575	11,575	-	-
Repurchase Agreements	2,506	-	-	2,506
Asset-backed Securities	855,117	6,483	847,728	906
Mortgages	196,990	26,169	157,942	12,879
Mutual Funds	7,434,302	7,432,075	2,061	166
Money Market Funds	1,116,186	758,546	-	357,640
Other - Uncategorized	1,013,461	1,962	823,260	188,239
Total Investments by Fair Value Level	$ 17,201,947	$ 10,560,296	$ 6,047,966	$ 593,685

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Below are the primary inputs and valuation techniques used for Level 3 Other - Uncategorized.

Other – Uncategorized Investments

The Colorado School of Mines and Colorado State University interest in Foundation investments are managed by their respective Foundations on behalf of each institution, and are reflected in each Foundation's Long-term Investment Pool (LTIP). The investments totaling $34.4 million for the School of Mines and $13.6 million for Colorado State University represent a share of the Foundation's LTIP and therefore, the institutions do not own any specific investments. As such, the fair value measurements for the investments were reported as Level 3 inputs. The investments are under each Foundation's LTIP policy. This policy requires funds to be managed in a diversified manner to reduce risks with the goal of providing a steady stream of funding. The LTIP must be over a broad investment spectrum in order to create a mix of potential returns that, in the aggregate, would achieve the overall portfolio objectives. This diversification is to ensure that adverse or unexpected developments arising in one security or asset class will not have a significant detrimental impact on the entire portfolio.

The Treasurer's Pool held investments totaling $684.5 million represent loans with World Bank discount notes and World Bank's International Bank for Reconstruction and Development.

The State Treasurer had investments totaling $87.1 million represent Certificates of Participation (COPs) proceeds held by the trustee on behalf of the State. There is no market price associated with these investments. The State Treasurer also had investments totaling $8.6 million represent taxes paid to counties on behalf of property owners in Colorado. The value shown is the outstanding balance owed to the State at June 30, 2017, and there is no market price associated with these investments.

The valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) is presented on the following table.

(Amounts in Thousands)

Investments Measured at the Net Asset Value (NAV)	
Fixed Income Trust	42,923
Equity Trust	346,474
Money Market Funds	357,534
Repurchase agreements	20,226
Guaranteed Investment Contracts	152,717
Money Market Funds	106
Total Investments Measured at the NAV	$ 919,980

Component Units

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

Component Units – Non-Foundations

Except for certain guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 4. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. At the end of 2016, the Authority had $29.0 million in cash held by the State Treasurer; the State Treasurer's Pool is discussed above in this Note 4.

The table below reflects the credit quality risk associated with investments of the Colorado Water Resources and Power Development Authority as of December 31, 2016. All existing repurchase agreements specify a collateralization rate between 103 percent and 105 percent. U.S. Treasuries and obligations guaranteed by the U.S. Government that collateralize the repurchase agreements are exempt from credit risk disclosure under GASB 40, therefore a rating agency assessment is not required. In addition to the table below, the Authority had investments in the State Treasurer's pool of $29.0 million. The State Treasurer's pool is reflected in the Primary Government section of this Note 4.

(Amounts in Thousands)

	Carrying Value	Exempt From Disclosure	NSRO Rating
COLOTRUST PLUS	$ 291,468		AAA
Federated Prime Obligations Fund	19,250		AAA
U.S. Treasury Notes - SLGS	84,041	X	
Repurchase Agreements - Collateralized:			
U.S. Treasuries or Obligations - Guaranteed	13,600	X	
Government Agencies	10,070		AAA
Total	$ 418,429		

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service, and holding those investments to maturity. The authority had $107.7 million of investments subject to interest rate risk with the following maturities: one year or less – eight percent, two to five years – 31 percent, six to ten years – 28 percent, eleven to fifteen years – 27 percent, and sixteen years or more – six percent.

The Colorado Water Resources and Power Development Authority did not have investments subject to concentration of credit risk, including repurchase agreements that represent five percent or more of total investments. Investments in local government investment pools, money market mutual funds and direct obligations of the U.S. government are exempt from concentration of credit risk disclosure.

The Colorado Water Resources and Power Development Authority had $19.3 million in investments valued using quoted market prices (Level 1 inputs). Certain investments, such as the Repurchase Agreements, U.S. Treasury Notes, State and Local Government Securities, and COLOTRUST are exempt from being measured at fair value and thus are excluded from the fair value hierarchy.

The Colorado Venture Capital Authority, a nonmajor component unit, holds investments in two limited partnerships, Colorado Fund I, LP and Colorado Fund II, LP, which do not have stated credit ratings. Measured with Net Asset Value, investments in these partnerships were $50.5 million as of December 31, 2016. The Authority's investment portfolio is exposed to credit and concentration of credit risk as it invests solely in the partnerships in accordance with the partnership agreements and statute. The portfolio is also exposed to interest rate risk as amounts in excess of those required to fund capital contributions under the terms of the funds' partnership agreement are held as bank deposits in a FDIC insured financial institution with the State Treasury. The portfolio is not exposed to custodial or foreign currency risks. The Authority had deposits held by the State Treasury of $11.6 million. The State Treasurer's pool is reflected in the Primary Government section of this Note 4.

The Denver Metropolitan Major League Baseball Stadium District maintains all of its cash and cash equivalents with one Denver bank and has accounts receivable due from the District's lessee, resulting in a concentration of credit risk with respect to these financial instruments. Management of the District believes its risk of exposure with respect to cash and cash equivalents is adequately covered by the Public Deposit Protection Act (PDPA) and FDIC insurance. Under the provisions of GASB Statement No. 40, deposits collateralized under PDPA are not deemed to be exposed to custodial credit risk. The District's cash deposits had bank balances of $7.9 million as of December 31, 2016. Since deposits are highly liquid, management of the District believes the interest rate risk associated with its deposits is minimal. The District does not hold any debt securities and therefore is not exposed to credit quality risk.

Component Units – Foundations

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

At June 30, 2016, the University of Colorado Foundation held $336.8 million of domestic equity securities, $355.3 million of international equity securities, $189.2 million of fixed income securities and $563.7 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. Ninety percent of the University of Colorado Foundation's alternative investments, or $505.5 million in fair value, are carried at net asset value and do not fall in the fair value hierarchy. See the following table.

		Fair Value Measurements Using		
	Fair Value	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				
Cash and cash equivalents	$ 7,204,666	$ 7,204,666	$	$
Domestic equities	332,793,658	332,793,658		
International equities	355,301,583	355,301,583		
Fixed income	189,176,921	15,264,021	173,912,900	
Alternative				
Private equity	38,100,000		38,100,000	
Venture capital	285,095			285,095
Commodities	19,112,684	19,112,684		
Other	678,497		454,975	223,522
Assets held under split-interest agreements	37,500,985	34,492,219	3,008,766	
Beneficial interests in charitable trusts	7,430,388			7,430,388
Total Investments by Fair Value Level	$ 987,584,477	$ 764,168,831	$ 215,476,641	$ 7,939,005

Alternative Investments Measured at the Net Asset Value (NAV)	
Real estate	$ 76,431,377
Private equity	191,164,474
Long/short hedged equity	28,514,933
Absolute returns	136,277,227
Venture capital	60,778,714
Commodities	12,349,347
Total Investments Measured at the NAV	505,516,072
Total Investments	$ 1,493,100,549

The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment loss of $24.4 million is net of $11.5 million of investment fees and comprises $18.3 million of interest, dividends and other income, $25.6 million of realized gains, and $56.8 million of unrealized losses.

At June 30, 2016, the Colorado State University Foundation held $201.8 million of equity securities, $31.9 million of fixed income securities, $143.3 million of alternative investments (comprising hedged equities, absolute return, private equity and alternative fixed income investments), and $48.1 million in cash and other investments. Certain level 3 assets were held in investments that calculate net asset value per share.

	Fair Value	Fair Value Measurements Using 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				
Cash equilvalents	$ 7,577,989	$ 7,577,989	$	$
Equities	201,817,571	108,305,985	93,511,586	
Fixed income	31,870,308	31,870,308		
Alternative investments	-			
Hedged equities	25,540,383		13,462,386	12,077,997
Absolute return	72,128,317		72,088,416	39,901
Private equity	41,314,697			41,314,697
Fixed income	4,364,860			4,364,860
Short duration	39,693,975	39,693,975		
Student-managed investments	855,041	855,041		
Total Investments by Fair Value Level	$ 425,163,141	$ 188,303,298	$ 179,062,388	$ 57,797,455

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. At June 30, 2016 the CSMF held $282.1 million of investments consisting of $255.6 million held as a long-term investment pool, $10.7 million in beneficial interests in endowments, $11.8 million in split-interest agreements, and $4.0 million in gift annuity agreements. Of the Level 3 investments, $167.9 million was held in certain entities that calculate net asset value per share.

	Fair Value	Fair Value Measurements Using 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				
Long-term investments				
Managed domestic equity funds	$ 59,775,857	$ 41,796,526	$ 17,979,331	$
Internaational equities	61,439,865	25,045,090	36,394,775	
Fixed income	9,583,230			9,583,230
Fixed income - mutual funds	17,287,481	17,287,481		
Cash equivalent funds	3,555,061		3,555,061	
Long/short hedge funds	59,154,697		35,707,761	23,446,936
Private equity/venture capital	44,823,921			44,823,921
Chartiable trusts	26,468,859	25,906,074	418,911	143,874
Total Investments by Fair Value Level	$ 282,088,971	$ 110,035,171	$ 94,055,839	$ 77,997,961

At June 30, 2016, the University of Northern Colorado Foundation held $41.7 million of equity securities, $18.7 million of fixed income securities, $32.3 million of alternative investments, $3.8 million of cash and other investments and $6.8 million in beneficial interest in trusts held by others. Level 3 assets in the table on the next page are held in certain entities that calculate net asset value. The Foundation's investment loss of $2.4 million is net of $0.4 million of management fees and comprises $2.0 million of interest and dividends and $4.0 million of realized and unrealized losses.

	Fair Value	Fair Value Measurements Using: 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				
Cash equivalent mutual funds	$ 442,950	$ 442,950	$	$
Equities	41,707,187	41,707,187		
Fixed income	18,733,869	9,291,425	9,442,444	
Student-managed funds	2,409,676		2,409,676	
Stock/bond mixed mutual funds	930,419	930,419		
Alternative Investments				
Low correlated hedge	14,638,203			14,638,203
Limited partnerships	5,776,703	5,776,703		
Commodities	4,038,012	4,038,012		
Real estate	3,737,093			3,737,093
Illiquid Credit	2,248,967			2,248,967
Private equity	1,908,095			1,908,095
Beneficial interest in long-term trusts	6,796,726			6,796,726
Total Investments by Fair Value Level	$ 103,367,900	$ 62,186,696	$ 11,852,120	$ 29,329,084

TREASURER'S INVESTMENT POOL

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

Primary Government

During Fiscal Year 2016-2017, the State capitalized $21.5 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $20.9 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

The schedule on the following page shows the capital asset activity for Fiscal Year 2016-17. The schedule shows that $418 million of construction in progress projects were completed and added to capital assets for Governmental activities, and $674 million of construction in progress were completed and added to capital assets for Business Type activities.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	110,898	$ 2,547	$ -	$ 2,701	$ 116,146
Land Improvements	7,276	-	98	-	7,374
Collections	10,996	34	-	-	11,030
Other Capital Assets	1,810	326	-	-	2,136
Construction in Progress (CIP)	757,300	617,470	(433,501)	(14,758)	926,511
Infrastructure	963,630	-	15,580	(594)	978,616
Total Capital Assets Not Being Depreciated	1,851,910	620,377	(417,823)	(12,651)	2,041,813
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	50,062	1,645	6,734	(76)	58,365
Buildings	3,176,516	19,470	38,895	(5,068)	3,229,813
Software	308,600	134,512	52,424	(13,893)	481,643
Vehicles and Equipment	908,346	69,326	1,974	(34,637)	945,009
Library Materials and Collections	5,746	353	-	(86)	6,013
Other Capital Assets	37,334	9	-	-	37,343
Infrastructure	11,423,942	103	317,796	(70,460)	11,671,381
Total Capital Assets Being Depreciated	15,910,546	225,418	417,823	(124,220)	16,429,567
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(32,155)	(2,473)	-	269	(34,359)
Buildings	(954,894)	(83,992)	-	297	(1,038,589)
Software	(213,462)	(27,388)	-	7,098	(233,752)
Vehicles and Equipment	(555,707)	(65,168)	-	31,874	(589,001)
Library Materials and Collections	(4,077)	(415)	-	86	(4,406)
Other Capital Assets	(35,018)	(1,193)	-	-	(36,211)
Infrastructure	(4,106,155)	(350,030)	-	724	(4,455,461)
Total Accumulated Depreciation	(5,901,468)	(530,659)	-	40,348	(6,391,779)
Total Capital Assets Being Depreciated, net	10,009,078	(305,241)	417,823	(83,872)	10,037,788
TOTAL GOVERNMENTAL ACTIVITIES	11,860,988	315,136	-	(96,523)	12,079,601
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	549,313	55,637	-	(87)	604,863
Land Improvements	16,882	-	-	-	16,882
Collections	26,940	1,375	63	(207)	28,171
Construction in Progress (CIP)	1,005,911	922,035	(693,687)	(19,063)	1,215,196
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	37,934	-	19,011	-	56,945
Total Capital Assets Not Being Depreciated	1,652,441	979,047	(674,613)	(19,357)	1,937,518
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	712,868	2,794	33,559	(5,698)	743,523
Buildings	8,363,225	79,833	547,773	(8,125)	8,982,706
Software	227,674	4,428	2,039	(14,833)	219,308
Vehicles and Equipment	1,082,996	96,595	9,624	(39,791)	1,149,424
Library Materials and Collections	556,570	23,835	-	(3,213)	577,192
Other Capital Assets	4,146	-	-	-	4,146
Infrastructure	854,972	66,917	81,618	(6,459)	997,048
Total Capital Assets Being Depreciated	11,802,451	274,402	674,613	(78,119)	12,673,347
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(367,462)	(34,026)	-	5,116	(396,372)
Buildings	(2,951,843)	(280,847)	-	(12,530)	(3,245,220)
Software	(171,928)	(19,466)	-	13,618	(177,776)
Vehicles and Equipment	(783,078)	(83,638)	-	29,943	(836,773)
Library Materials and Collections	(423,168)	(22,573)	-	3,380	(442,361)
Other Capital Assets	(1,723)	(129)	-	33	(1,819)
Infrastructure	(53,023)	(17,542)	-	284	(70,281)
Total Accumulated Depreciation	(4,752,225)	(458,221)	-	39,844	(5,170,602)
Total Capital Assets Being Depreciated, net	7,050,226	(183,819)	674,613	(38,275)	7,502,745
TOTAL BUSINESS-TYPE ACTIVITIES	8,702,667	795,228	-	(57,632)	9,440,263
TOTAL CAPITAL ASSETS, NET	$ 20,563,655	$ 1,110,364	$ -	$ (154,155)	$ 21,519,864

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

(Amounts in Thousands)

GOVERNMENTAL ACTIVITIES	Depreciation Amount
General Government	$ 18,404
Business, Community and Consumer Affairs	2,579
Education	36,525
Health and Rehabilitation	9,107
Justice	47,073
Natural Resources	2,190
Social Assistance	12,678
Transportation	373,241
Internal Service Funds (Charged to programs and BTAs based on usage)	28,863
Total Depreciation Expense - Governmental Activities	530,660
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	423,348
Other Enterprise Funds	32,287
Unemployment Insurance	2,379
State Lottery	197
Total Depreciation Expense - Business-Type Activities	458,211
Total Depreciation Expense Primary Government	$ 988,871

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $145.8 million, net of accumulated depreciation of $90.2 million, at December 31, 2016. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC @ Metro, Inc., a nonmajor component unit, reported $39.4 million of depreciable capital assets net of depreciation. A nondepreciable capital asset for the use of land at below market rent, under an agreement with Metropolitan State University of Denver, carries a value of $4.9 million.

NOTE 6 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees, including four-year college and university employees, participate in a defined benefit (DB) pension plan; however, all employees, with the exception of certain higher education employees, have the option of participating in a defined contribution (DC) plan instead (see Note 8). The DB plan's purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability. The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). The State plan and the other divisions' plans described below are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Info line at 1-800-759-7372, or by visiting http://www.copera.org.

Administration of the Plan

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

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

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 8C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional retirement plan.

Defined Retirement Benefits

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. For members eligible to retire as of January 1, 2011, reduced service benefits are calculated in the same manner as a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. For members eligible to retire after January 1, 2011, an additional actuarial reduction applies.

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

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

Monthly benefits, except as discussed below, are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). Monthly benefits in the Judicial Division for retirements on or after July 1, 1999 for members hired on or before July 1, 1973 are calculated as 4 percent for the years 0-10, 1.66 percent for years 11-16, 1.5 percent for years 17-20, and 2.5 percent for years 21 and greater.

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

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

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

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in the Annual Increase Reserve (AIR) established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limit the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2016.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

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

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

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

The following table summarizes employer contribution requirements, including AED and SAED for all employees except Judges and State Troopers for the last three fiscal years. The rates in the table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S., Section 24-51-208 (1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the State Division	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-	3.50%	4.00%	4.00%	4.50%	4.50%	4.50%
Total Employer Contribution Rate to the State Division	16.43%	17.33%	17.33%	18.23%	18.23%	18.23%

For State Troopers the State was required to contribute 12.85 percent and AED and SAED based on the rates shown in the previous table. For Judges the State was required to contribute 13.66 percent and AED of 2.20 percent and SAED of 1.50 percent (frozen at that level since 2010).

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2016, the State Division of PERA had a funded ratio of 54.6 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 52.7 percent. The Judicial Division had a funded ratio of 66.6 percent based on current contribution rates and 64.4 percent based on market rates.

Employer contributions are recognized by the State Division in the period in which the compensation becomes payable to the member and the State of Colorado is statutorily committed to pay the contributions to the State

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

C. PENSION RELATED BALANCES

For fiscal year ended June 30, 2017, the State of Colorado reported a liability of $17.5 billion for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The proportion of the net pension liability was based on contributions to the State and Judicial Divisions for the calendar year 2016 relative to the total contributions of participating employers to the State and Judicial Divisions.

At December 31, 2016, the State of Colorado's proportion of the State Division was 95.49 percent, which was a decrease of 0.22 percent from its proportion measured as of December 31, 2015 (94.16 percent for the Judicial Division, which is an increase of 0.18 percent).

For the fiscal year 2016-17, the State of Colorado recognized pension expense of $9.5 billion for the State and Judicial Divisions. For the State Division, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 174,349	$ -
Changes of assumptions and other inputs	4,462,282	53,989
Net difference between projected and actual earnings on pension plan investments	581,464	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		45,941
Contributions subsequent to the measurement date	128,071	-
	$ 5,346,166	$ 99,930

For the Judicial Division the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 20,439	$ 2
Changes of assumptions and other inputs	49,048	-
Net difference between projected and actual earnings on pension plan investments	11,721	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	4,200	-
	$ 85,408	$ 2

Deferred outflows of resources totaling $138.6 million for the State Division and Judicial Division related to pensions resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2017. For the State Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts in Thousands)

Fiscal Year Ended June 30	
2018	$ 2,801,503
2019	2,195,205
2020	161,243
2021	6,155
2022	-
Thereafter	-

For the Judicial Division other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Amounts in Thousands)

Fiscal Year Ended June 30	
2018	$ 28,737
2019	25,740
2020	18,440
2021	8,288
2022	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	State Division	Judicial Divison
Actuarial cost method	Entry age	Entry age
Price inflation	2.40%	2.40%
Real wage growth	1.10%	1.10%
Wage inflation	3.50%	3.50%
Salary increases, including wage inflation	3.50 to 9.17%	4.00 to 5.00%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%	7.50%
Muncipal bond index rate 12/31/15	None	3.57%
Beginning period of application	None	2040
Discount rate	5.26%	5.73%
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre and post retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll forward procedures.

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.

Healthy, post-retirement mortality assumptions reflect 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.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP 2014 Disabled Retiree Mortality Table.

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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 by the investment consultant 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 November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target 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	10 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%	

The discount rate used to measure the total pension liability was 5.26 percent and 5.18 percent for the State and Judicial Divisions, respectively. 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 current member contribution rate. 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, including 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 included 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.2 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to period on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.25 percent.

As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

The collective net pension liability for the State Division Trust Fund and the Judicial Division Trust Fund increased by $7.8 billion and $70 million, respectively. The majority of the increase to the net pension liability can be attributed to a provision of governmental accounting standards for pensions which require future benefit obligations to be measured at a lower discount rate when certain conditions exist. For the 2015 PERA fiscal year, the application of a required GASB test resulted in liabilities being measured using the assumed investment rate of return of 7.50 percent. For the 2016 PERA fiscal year, on which the state's proportionate share of the collective net pension liability in this report are based, application of the required GASB test triggered the need to use a blend of two rates: an assumed investment rate of return of 7.25 percent and a municipal bond index rate of 3.86 percent. This resulted in the use of a blended discount rate of 5.26 percent. The use of the lower discount rate resulted in a significant increase to the net pension liability.

The following table shows the sensitivity of Colorado's proportionate share of the net pension liability to changes in the discount rate for the State Division and Judicial Division from 5.26 percent and 5.18 percent respectively to 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 (4.26 percent and 4.18 percent respectively) or 1-percentage-point higher (6.26 percent and 6.18 percent respectively):

State Division

(Amount in Thousands)

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 21,724,039	$ 10,079,249	$ 14,101,995

Judicial Division

(Amount in Thousands)

	1% Decrease (4.18%)	Current Discount Rate (5.18%)	1% Increase (6.18%)
Proportionate share of the net pension liability	$ 301,506	$ 172,828	$ 186,632

Component Units

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-3) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Title 24, Article 51, Part 12 of the Colorado Revised Statutes establishes the Fund and authorizes PERA to administer and subsidize a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

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

An additional implicit subsidy exists for participating retirees who have not participated in Social Security and who are not otherwise eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2016, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.29 billion, a funded ratio of 17.4 percent, and a 30-year amortization period.

The apportionment of the contribution to the Health Care Trust Fund is established under Title 24, Article 51, Section 208(1)(f) of the Colorado Revised Statutes. Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $30.4 million, $34.3 million, $27.0 million, $25.9, million, and $24.9 million in Fiscal Years 2016-17, 2015-16, 2014-15, 2013-14, and 2012-13 respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered health care plans in 2016. As of December 31, 2016, there were 55,789 participants, including spouses and dependents, from all contributors to the plan.

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

In the calendar 2016, the Entry Age Normal level percentage of pay actuarial cost method allocation basis was used. The actuarial assumptions included a 7.25 percent investment rate of return, and an aggregate 3.50 percent projection of salary increases, both assuming a 2.40 percent inflation rate and real wage growth of 1.10 percent. Medical claims are projected to increase annually by 5.00 percent based on different subsidy and premium options. The UAAL is being amortized as a level percentage of payroll on a level percent closed and layered basis over 30 years. Except for the discount rate, these assumptions primarily affect plan assets available, rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

The financial statements for the PERA Health Care Trust Fund can be found within PERA's financial statements as referenced at the beginning of Note 1.

University of Colorado – Other Postemployment Benefits Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2015-16, the University contributed $14.9 million to the plan. Plan members contributed 0.24 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 0.93 percent of covered payroll.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

(Amounts In Thousands)

Annual required contribution	$ 74,105
Interest on net OPEB obligation	13,011
Adjustment to annual required contribution	(17,750)
Annual OPEB cost (expense)	69,366
Contributions made	(14,929)
Increase/(Decrease) in net OPEB obligation	54,437
Net OPEB obligation - beginning of year	289,133
Net OPEB obligation - end of year	$ 343,570

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016-17	$ 69,366	21.5%	$ 343,570
2015-16	$ 61,704	23.3%	$ 289,133
2014-15	$ 62,461	26.1%	$ 241,779

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $625.0 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $625.0 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.3 billion, and the ratio of UAAL to covered payroll was 46.8 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a 4.5 percent investment rate of return, and health care trend rates ranging from 6.5 to 11.0 percent in 2016, down to 4.5 percent in 2030. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare qualifying trust plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $433 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by going to: http://busfin.colostate.edu/Resources/Fin_Statements.aspx

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX, and LTD plans is set by the University in consultation with outside benefit consultants, underwriters, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2015-16, the University contributed $1.3 million to the RMPR at a contribution rate of 1.18 percent of covered earnings, $2.0 million to the RMPS at a 15.09 percent contribution rate, and $0.2 million to the URX at a 1.83 percent contribution rate. Employees contributed $1.5 million at a 0.32 percent contribution rate to the LTD plan. Members of the RMPS, RMPR, and URX plans are not required to make contributions, however members of the LTD plan are required to contribute. As of June 30, 2017, RMPR had 4,599 active members, 68 terminated but eligible members, and 384 retired members or beneficiaries receiving benefits; the RMPS had 172 active members, 172 terminated but eligible members, and 495 retired members or beneficiaries receiving benefits; the URX had 172 active members, 172 terminated but eligible members, and 366 retired members or beneficiaries receiving benefits; and LTD had 5,272 active members and 42 retired members or beneficiaries receiving benefits.

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

As of the most recent actuarial valuation date of January 1, 2017, funded ratios for RMPR, RMPS, URX, and LTD were 131.5 percent, 50.5 percent, 21.3 percent, and 87.0 percent, respectively. RMPR, RMPS, URX, and LTD reported actuarial value of plan assets of $45.4 million, $22.6 million, $0.7 million, and $8.9 million, respectively, and actuarial accrued liabilities of $34.5 million, $44.7 million, $3.5 million, and $10.2 million, respectively. The actuarial value of plan assets for RMPR exceeded the actuarial accrued liability so the plan was overfunded on an actuarial basis by $10.9 million. RMPS, URX, and LTD reported unfunded actuarial accrued liabilities of $22.2 million, $2.7 million and $1.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $344.3 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -3.2 percent. Plan contributions for RMPS, URX, and LTD are not based on salaries or covered payroll.

The RMPR and LTD plans used the entry age normal actuarial cost method, while the RMPS and URX plans use the unit credit method. All four plans used a 5.3 percent investment rate of return, and used a 3 percent inflation adjustment. The LTD plan also assumed a 4 percent salary increase, while the RMPR, RMPS and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary.

The RMPR assumed no health care cost trend adjustment, and RMPS and URX assumed an annual healthcare cost trend initial rate of 7 percent declining to an ultimate rate of 5 percent. The LTD does not use a healthcare trend rate because it provides income replacement not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years. Regarding amortization periods, 21 years remain on the closed periods for the RMPS and URX and 30 years remain for the RMPR and LTD open periods.

Other Programs

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

Component Units

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

NOTE 8 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. The State uses a self-funded approach for certain employee and state-official medical claims. The State's contribution to the premium is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2016-17, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $10 or $20 depending on the level of participation.

The State offers two statewide, self-funded PPO options administered by United Healthcare and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

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

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.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2016, the plan had net position of $751.7 million and 17,921 participants.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. Title 24, Article 51, Part 14 of the Colorado Revised Statutes, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. In calendar year 2016, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $18,000. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $6,000 in 2016, for total contributions of $24,000. Contributions and earnings are tax deferred. On December 31, 2016, the plan had net position of $2,829.7 million and 68,752 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Title 24, Article 51, Part 15 of the Colorado Revised Statutes, assigns the authority to establish Plan provisions to the PERA Board of Trustees.

Contribution requirements are established under Title 24, Article 51, Section 1505 of the Colorado Revised Statutes. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). Additionally, the State of Colorado is required to contribute AED and SAED to the State Division as shown in the following table. The rates in the following table are expressed as a percentage of salary as defined in Title 24, Article 51, Section 101 (42) of the Colorado Revised Statutes.

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY14	CY15		CY16		CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S., Section 24-51-411	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the State Division	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%

Participating employees of the PERA defined contribution 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 defined contribution plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the Colorado Revised Statutes. As a result, forfeitures do not reduce pension expense. At December 31, 2016, the plan had a net position of $167.4 million and 5,761 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 6.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable

Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $191.9 million and $173.4 million during Fiscal Years 2016-17 and 2015-16, respectively. In addition, the State paid $137.5 million and $123.6 million in FICA and Medicare taxes on employee wages during Fiscal Years 2016-17 and 2015-16, respectively.

D. TERMINATION BENEFITS

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is for 5 calendar years. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2016-17, 69 employees participated in the program at a present value accrued cost of $4.6 million, with an assumed discount rate of 5 percent.

Component Units

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

NOTE 9 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Workers compensation losses are self-insured per the Risk Management Act (CRS 24-30-1501); 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 ($500,000 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). Settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through 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 $375,000 per individual. In Fiscal Year 2016-17, the State recovered approximately $1.5 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $15.5 million of insurance recoveries during Fiscal Year 2016-17. Of that amount approximately $8.8 million was related to asset impairments that occurred in prior years. The remaining $6.7 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $1.5 million, as noted above), a Pension and Other Employee Benefits Fund, and $2.2 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 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2016-17, 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 and $11.1 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2016-17 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $325,494 from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years. 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 2016-17, however, the University collected $1,021,965 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 and has purchased reinsurance for individual claims up to statutory limits. There was no significant reduction in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. The University also carries liability, professional liability, and pollution liability for the Center for Environmental Management Federal Lands operations, including prescribed burn operations, which includes a primary layer of $2.0 million aggregate, an umbrella layer of $5.0 million, and an excess layer of $5.0 million. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability ($10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2016-17, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, 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 $489.6 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $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 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 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 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, 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 ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 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 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2016-17, 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 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million ($0 deductible) and $2.0 million aggregate. Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2016-17 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				
2016-17	24,926	3,054	4,095	23,885
2015-16	27,429	1,767	4,270	24,926
2014-15	23,395	10,599	6,565	27,429
Workers' Compensation				
2016-17	133,672	35,984	35,263	134,393
2015-16	130,357	36,072	32,757	133,672
2014-15	120,600	43,642	33,885	130,357
Group Benefit Plans:				
2016-17	15,766	201,105	200,794	16,077
2015-16	14,717	188,021	186,972	15,766
2014-15	14,248	183,548	183,079	14,717
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2016-17	16,726	7,388	7,995	16,119
2015-16	13,858	10,180	7,312	16,726
2014-15	14,445	8,684	9,271	13,858
University of Colorado Denver:				
Graduate Medical Education Health Benefits Program				
2016-17	1,666	10,357	9,714	2,309
2015-16	1,799	7,233	7,366	1,666
2014-15	1,711	7,644	7,556	1,799
Medical Malpractice				
2016-17	11,469	1,006	3,047	9,428
2015-16	9,498	2,883	912	11,469
2014-15	7,139	4,060	1,701	9,498
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2016-17	26,760	54,124	50,967	29,917
2015-16	28,660	46,728	48,628	26,760
2014-15	33,555	40,237	45,132	28,660
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2016-17	355	(172)	48	135
2015-16	56	367	68	355
2014-15	81	32	57	56
Fort Lewis College:				
Worker's Compensation				
2016-17	-	5	3	2
2015-16	13	15	28	-
2014-15	21	24	32	13
General Liability				
2016-17	39	3	39	3
2015-16	-	44	5	39
2014-15	-	-	-	-

Changes in Claims Liabilities
(Amounts in Thousands)

(Continued) Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
Colorado Mesa University:				
Workers' Compensation				
2016-17	220	(130)	54	36
2015-16	28	220	28	220
2014-15	17	50	39	28
General Liability				
2016-17	3	10	13	-
2015-16	-	35	32	3
2014-15	-	548	548	-
Western State Colorado University:				
Workers' Compensation				
2016-17	-	-	-	-
2015-16	-	-	-	-
2014-15	14	(11)	3	-
General Liability				
2016-17	-	-	-	-
2015-16	-	-	-	-
2014-15	-	-	-	-

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability. There were no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 10 – LEASES AND SHORT-TERM DEBT

LEASE COMMITMENTS

Primary Government

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

At June 30, 2017, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 5,559	$ 117,966	$ 338,347
Business-Type Activities	-	34,330	49,793
Total	$ 5,559	$ 152,296	$ 388,140

At June 30, 2017, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 21	$ 183	$ 204
Business-Type Activities	$ -	$ 145	145
Total	$ 21	$ 329	$ 350

During the year ended June 30, 2017, the State incurred no contingent rentals related to capital and operating leases.

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the Universities governed by the Board of Governors for the Colorado State University System in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent administration and licensing, financing the acquisition of research and educational facilities and equipment, and land acquisition and management. Colorado State University paid CSURF $1.5 million in Fiscal Year 2016-17 for leased space, and at June 30, 2017 had total future lease obligations for leased space of $9.6 million. Colorado State University also paid CSURF $3.9 million during the fiscal year for equipment, vehicles, and buildings and had total future lease obligations for leased equipment, vehicles, and buildings of $19.2 million.

In years prior Fiscal Year 2016-17, the Community College of Aurora made operating lease payments of approximately to the Community College of Aurora Foundation, which was the landlord for the CenterTech Campus. The College purchased the building from the Foundation in Fiscal Year 2015-2016 and had no operating lease payments to the Foundation in Fiscal Year 2016-2017.

For Fiscal Year 2016-17, the State recorded building and land rent of $57.5 million for governmental-type activities, $23.7 million for business-type activities and $35,297 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of $13.7 million and $39.1 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 $3.6 million of capital lease interest costs for governmental activities and $1.7 million for business-type activities in Fiscal Year 2016-17.

The State entered into approximately $23.0 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, 2017, 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
2018	$ 52,896	$ 26,877	$ 28,254	$ 3,297	$ 7,292	$ 1,475
2019	46,880	$ 21,577	$ 23,067	$ 2,739	$ 5,798	$ 1,302
2020	35,408	$ 17,917	$ 20,234	$ 2,257	$ 5,051	$ 1,147
2021	31,758	$ 13,155	$ 17,484	$ 1,844	$ 3,917	$ 1,002
2022	29,142	$ 10,777	$ 16,623	$ 1,463	$ 3,880	$ 902
2023 to 2027	88,129	$ 28,039	$ 33,323	$ 3,008	$ 19,793	$ 2,262
2028 to 2032	2,836	$ 8,159	$ 3,167	$ 242	$ 4,160	$ 315
2033 to 2037	1,466	$ 661	$ -	$ -	$ -	$ -
2038 to 2042	739	$ 534	$ -	$ -	$ -	$ -
2043 to 2047	721	$ 449	$ -	$ -	$ -	$ -
2048 to 2052	661	$ 179	$ -	$ -	$ -	$ -
2053 to 2057	661	$ -	$ -	$ -	$ -	$ -
Thereafter	2,062	$ -	$ -	$ -	$ -	$ -
Present Value of Minimum Lease Payments And Imputed Interest	$ 293,359	$ 128,324	$ 142,152	$ 14,850	$ 49,891	$ 8,405

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2016, was $140,432. The total minimum rental commitment as of December 31, 2016, is $244,785.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2022. The total rental expense for the year ended June 30, 2016 was $147,590. The total minimum rental commitment under the leases was $874,000 at June 30, 2016.

SHORT-TERM DEBT

On July 26, 2016 the State Treasurer issued $600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2016A. The notes were due and payable on June 27, 2017, at a coupon rate of 2.167 percent. The total interest related to this issuance was $12.0 million; however, the notes were issued at a premium of $8.6 million, resulting in net interest costs (including the cost of issuance) of $3.6 million and a yield of 0.598 percent. The notes were issued for cash management purposes and were repaid by June 27, 2017, 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 21, 2016, the State Treasurer issued $275.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2016A. The notes were due and payable on June 29, 2017, at a coupon rate of 3.091 percent. The total interest related to this issuance was $8.0 million; however, the notes were issued at a premium of $6.4 million, resulting in net interest costs (including cost of issuance) of $1.8 million or 0.585 percent. The notes matured on June 29, 2017, and were repaid.

On January 12, 2017, the State Treasurer issued $375.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2016B. The notes were due and payable on June 29, 2017, at a coupon rate of 3.933 percent. The total interest related to this issuance was $6.8 million; however, the notes were issued at a premium of $5.3 million, resulting in net interest costs (including cost of issuance) of $1.6 million or 0.867 percent. The notes matured on June 29, 2017, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2017:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 600,000	$ (600,000)	$ -
Education Loan Anticipation Notes	-	650,000	(650,000)	-
Total Governmental Activities Short-Term Financing	-	1,250,000	(1,250,000)	-
Total Short-Term Financing	$ -	$ 1,250,000	$ (1,250,000)	$ -

NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

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

Collectively, the State's business-type activities had $1,753.4 million in available net revenue after operating expenses to meet the $296.2 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 17.)

During Fiscal Year 2016-17 the State recorded $250.6 million of interest costs, of which $59.6 million was recorded by governmental activities and $190.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $4.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.3 million of interest on Certificates of Participation issued by the Judicial Branch, $29.8 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and $3.3 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 $165.7 million of interest on revenue bonds issued by institutions of higher education, $13 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $9.8 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $2.1 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2017, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ -	$ -	$ 2,135	$ 231	$ 44,855	$ 52,318	$ 46,990	$ 52,549
2019	-	-	2,175	187	49,455	50,610	51,630	50,797
2020	-	-	2,220	142	30,805	49,163	33,025	49,305
2021	-	-	2,270	95	31,925	47,895	34,195	47,990
2022	-	-	2,315	48	33,185	46,266	35,500	46,314
2023 to 2027	-	-	-	-	287,755	207,489	287,755	207,489
2028 to 2032	-	-	-	-	379,335	146,371	379,335	146,371
2033 to 2037	-	-	-	-	245,185	78,500	245,185	78,500
2038 to 2042	-	-	-	-	107,060	33,294	107,060	33,294
2043 to 2047	-	-	-	-	57,295	5,761	57,295	5,761
Subtotals	-	-	11,115	703	1,266,855	717,667	1,277,970	718,370
Unamortized Prem/Discount	-	-	-	-	35,527	-	35,527	-
Totals	$ -	$ -	$ 11,115	$ 703	$ 1,302,382	$ 717,667	$ 1,313,497	$ 718,370

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2018	$ 121,298	$ 186,942	$ 1,184	$ 1,200	$ 22,805	$ 14,546	$ 145,629	$ 203,147
2019	126,974	186,067	91	1,177	23,760	13,398	151,182	201,086
2020	132,404	180,804	134	1,174	24,660	12,239	157,570	194,646
2021	137,087	175,609	37	1,171	25,815	11,086	163,326	188,280
2022	140,946	170,168	37	1,171	27,085	9,814	168,472	181,550
2023 to 2027	763,167	757,909	48,703	7,311	137,760	28,840	951,920	795,776
2028 to 2032	806,538	572,930	-	-	51,570	4,525	860,925	578,644
2033 to 2037	806,240	372,786	-	-	-	-	810,488	372,950
2038 to 2042	601,280	185,370	-	-	-	-	601,280	185,370
2043 to 2047	220,065	78,974	-	-	-	-	220,065	78,974
2048 to 2052	109,405	42,587	-	-	-	-	109,405	42,587
2053 to 2057	113,800	15,241	-	-	-	-	113,800	15,241
Subtotals	4,079,204	2,925,387	50,186	13,204	313,455	94,448	4,454,062	3,038,251
Unamortized Prem/Discount	279,904	-	(8)	-	33,313	-	313,209	-
Unaccreted Interest	(6,911)	-	-	-	-	-	(6,911)	-
Totals	$ 4,352,197	$ 2,925,387	$ 50,178	$ 13,204	$ 346,768	$ 94,448	$ 4,760,360	$ 3,038,251

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 14 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2017, 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
2018	$ 975	$ 314	$ 1,061	$ 2,350
2019	550	308	1,041	1,899
2020	575	303	1,025	1,903
2021	575	299	1,009	1,883
2022	850	293	989	2,132
2023 to 2027	5,025	1,345	4,545	10,915
2028 to 2032	12,900	975	3,293	17,168
2033 to 2037	14,335	410	1,385	16,130
2038 to 2042	3,075	11	35	3,121
Totals	$ 38,860	$ 4,258	$ 14,383	$ 57,501

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

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ -	$ 21,075	$ 1,341,336	$ 1,362,411
Business Type Activities	5,094,314	10,131	466,203	$ 5,583,098
Total	$ 5,094,314	$ 31,206	$ 1,807,539	$ 6,945,509

Component Units

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2016, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2017	$ 40,700	$ 22,427	$ 63,127
2018	39,790	20,744	60,534
2019	38,730	18,954	57,684
2020	34,085	17,198	51,283
2021	32,425	15,652	48,077
2022 to 2026	152,585	57,073	209,658
2027 to 2031	108,080	30,062	138,142
2032 to 2036	59,510	9,877	69,387
2037 to 2041	9,790	1,952	11,742
2042 to 2046	3,070	259	3,329
Total Future Payments	$ 518,765	$ 194,198	$ 712,963

The original principal amount for the outstanding bonds was $875.3 million. Total interest paid during 2016 was $23.6 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004E and 2005F are insured as to payment of principal and interest by MBIA, Inc. The Water Resources Revenue Bonds Series 2005B, 2009A, 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The Water Resources Revenue Bonds Series 2014A are insured as to payment of principal and interest by Build America Mutual Assurance Company. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2016, it had $7.3 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2016, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2017	$ 825	$ 3,178	$ 4,003
2018	1,075	3,138	4,213
2019	1,250	3,090	4,340
2020	1,300	3,038	4,338
2021	1,350	2,981	4,331
2022 to 2026	7,395	13,817	21,212
2027 to 2031	8,870	11,425	20,295
2032 to 2036	10,820	8,292	19,112
2037 to 2041	13,285	4,376	17,661
2042 to 2043	7,595	378	7,973
Total Future Payments	$ 53,765	$ 53,713	$ 107,478

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2016-17:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 90	$ 9,417	$ (9,391)	116	$ 116
Accrued Compensated Absences	154,510	17,272	(13,347)	158,435	11,865
Claims and Judgments Payable	276,010	-	(15,475)	260,535	46,369
Capital Lease Payable	122,404	18,062	(26,567)	113,899	28,254
Notes, Bonds, and COPs Payable	1,174,467	-	92,040	1,266,507	46,990
Net Pension Liability	6,295,004	4,842,006	-	11,137,010	-
Other Long-Term Liabilities	415,669	255,105	(262,862)	407,912	-
Total Governmental Activities Long-Term Liabilities	8,438,154	5,141,862	(235,602)	13,344,414	133,594
Business-Type Activities					
Deposits Held In Custody For Others	20	42,400	(42,400)	20	20
Accrued Compensated Absences	293,365	53,500	(29,795)	317,070	25,381
Claims and Judgments Payable	39,657	9,002	(11,298)	37,361	-
Capital Lease Payable	47,994	4,047	(9,442)	42,599	7,292
Derivative Instrument Liabilities	13,222	-	(3,971)	9,251	-
Notes, Bonds, and COPs Payable	4,480,091	536,168	(363,643)	4,652,616	146,604
Due to Component Units	1,631	47	-	1,678	-
Net Pension Liability	3,957,073	2,685,301	-	6,642,374	-
Other Postemployment Benefits	289,133	54,437	-	343,570	-
Other Long-Term Liabilities	28,569	77,428	(15,411)	90,586	-
Total Business-Type Activities Long-Term Liabilities	9,150,755	3,462,330	(475,960)	12,137,125	179,297
Fiduciary Activities					
Deposits Held In Custody For Others	60,833	2,367	(23,351)	39,849	7,711
Accrued Compensated Absences	38	7	(10)	35	15
Claims and Judgments Payable	-	-	-	-	-
Other Long-Term Liabilities	713	373	(713)	373	-
Total Fiduciary Activities Long-Term Liabilities	61,584	2,747	(24,074)	40,257	7,726
Total Primary Government Long-Term Liabilities	$ 17,650,493	$ 8,606,939	$ (735,636)	$ 25,521,796	$ 320,617

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*.

At June 30, 2017, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $407.9 million shown for governmental activities primarily comprises:

- $252.2 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $152.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 13 for additional information on pollution remediation obligations).
- $2.9 million of unclaimed property liabilities estimated to be due to claimants.

The $92.3 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $90.6 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($24.8 million and $59.1 million, respectively).

Component Units

Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Water Pollution Control Fund, accounting for $313.5 million, or fifty-five percent, of the $571.7 million total. Long-term liabilities of the Water Operations Fund and the Drinking Water Fund were $129.8 million and $128.4 million, respectively. The Water Pollution Control Fund accounted for fifty-one percent, or $244.0 million, of the bonds payable total of $478.1 million. Sixty-three percent, or $59.2 million, of other long-term liabilities were related to project costs payable – leveraged loans. Changes in long-term liabilities for the Authority in 2016 were as follows:

(Amounts in Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 594,745	$ 64,535	$ (140,515)	$ 518,765	$ 40,700
Other Long-Term Liabilities	208,985	147,155	(123,647)	232,494	138,869
Total Long-Term Liabilities	$ 803,730	$ 211,690	$ (264,162)	$ 751,259	$ 179,569

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

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2016, the foundation held $37.5 million of split interest agreement investments with $16.9 million of related liabilities and reported $7.3 million of net beneficial interest in charitable trusts held by others.

At June 30, 2016, the University of Colorado Foundation held $342.0 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units*, this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2016, the Colorado State University Foundation held $13.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2015, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust, charitable gift annuity contracts and pooled income assets of $15.8 million; related liabilities of $9.4 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units*.

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $9.4 million mentioned above and total $4.6 million. At June 30, 2016, CSMF reported $31.9 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

NOTE 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 2016-17, debt was defeased in both governmental and business-type activities.

At June 30, 2017, 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	$	133,435
Department of Corrections		59,045
Business-Type Activities:		
University of Colorado		431,145
Colorado State University		133,375
Colorado School of Mines		31,160
Western State College		34,875
Colorado Mesa University		675
Adams State College		16,415
Total	$	840,125

The Board of Regents of the University of Colorado issued $28,480,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-1 to partially defease its 2012B Enterprise Revenue Bonds. The defeased debt had an interest rate of 5 percent, and the new debt had an interest rate of 2.8 percent. The remaining term of the debt was 17 years and the estimated debt service cash flows decreased by $2,706,544. The defeasance resulted in an economic gain of $2,253,762 and book loss of $3,068,849 that will be amortized as an adjustment of interest expense over the remaining 17 years of the new debt.

The Board of Regents of the University of Colorado issued $38,450,000 of its Enterprise Revenue Refunding Bonds, Series 2017A-1 to partially defease its 207A Enterprise Refunding Revenue Bonds. The defeased debt had an interest rate of 4.42 percent, and the new debt had an interest rate of 2.27 percent. The remaining term of the debt was 16 years and the estimated debt service cash flows decreased by $4,532,761. The defeasance resulted in an economic gain of $4,336,850 and book gain of $1,341,219 that will be amortized as an adjustment of interest expense over the remaining 16 years of the new debt.

The Board of Governors of Colorado State University issued $22,976,045.26 of its Enterprise Revenue and Refunding Bonds, Series 2016B to partially defease its 2007A, 2007B, and 2008A Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.98 percent, and the new debt had an interest rate of 4.68 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows decreased by $3,512,269.84. The defeasance resulted in an economic gain of $2,233,989.56 and book loss of $528,506.29 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Governors of Colorado State University issued $1,128,954.74 of its Enterprise Revenue and Refunding Bonds, Series 2016B to partially defease its 2007A Enterprise Revenue Bonds. The defeased debt had an interest rate of 4.98 percent, and the new debt had an interest rate of 4.68 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows decreased by $246,383.10. The defeasance resulted in an economic gain of $152,003.91 and book loss of $18,339.13 that will be amortized as an adjustment of interest expense over the remaining 20 years of the new debt.

The Board of Trustees of Western State Colorado University issued $26,995,000 of its Auxiliary Facilities Revenue Refunding Bonds, Series 2016 to partially defease its 2009 Revenue Bonds and 2010A Institutional Enterprise Revenue Bonds (Tax-Exempt). The defeased debt had an interest rate of 4.89 percent, and the new debt had an interest rate of 3.69 percent. The remaining term of the debt was 22.75 years and the estimated debt service cash flows decreased by $4,674,916. The defeasance resulted in an economic gain of $3,599,614 and book loss of $3,023,158.13 that will be amortized as an adjustment of interest expense over the remaining 22.75 years of the new debt.

The Board of Trustees of Adams State University issued $7,265,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2017A and 2017B to partially defease its 2009A Auxiliary Facilities Revenue Improvement Bonds, 2009B Auxiliary Facilities Revenue Bonds, and 2012 Institutional Enterprise Revenue Bonds. The defeased debt had an interest rate of 3.3-5 percent, and the new debt had an interest rate of 3.98 percent. The remaining term of the debt was 20 years and estimated debt service cash flows increased by $3,847,639. The defeasance resulted in an economic loss of $481,147 and a book loss of $873,396 that will be amortized as an adjustment of interest expense over the remaining 26 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, 2017 was $157.8 million ($5.1 million of which was a current liability). Superfund sites account for approximately $156.9 million ($4.2 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $58.4 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $2.3 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2017, the State has received $4.7 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $64.7 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are estimated at approximately $1.3 million, increasing to approximately $2.6 million in 2028, and continuing into perpetuity. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.7 million through 2018. The department shares these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately $5.7 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. 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.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $19.1 million related to the clean-up of contamination from mine waste piles and drainage. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS 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, 2017.

(Amounts in Thousands)	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivative Instruments	$ -	$ 2,371
Refunding Losses	2,431	159,281
Pensions	3,304,636	2,052,672
	3,307,067	**2,214,324**
Deferred Inflow of Resouces		
Nonexchange Transactions	338	442
Refunding Gains	-	860
Timing Differences	795	95
Service Concession Arrangements	-	139,455
Pensions	34,470	65,461
	$ 35,603	**$ 206,313**

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement (the Agreement) in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. The agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflow of $2.4 million as of June 30, 2017.

The Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $39.5 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.31 percent at June 30, 2017. Cash flows between the parties are settled on the net difference. The market value to the Colorado School of Mines as of June 30, 2017 was $13.2 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.
- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School considers the swap agreement counterparty's (Morgan Stanley) credit quality rating and the ability of the counterparty to withstand credit market turmoil. As of June 30, 2017, Morgan Stanley's credit rating is A3 by Moody's, and BBB+ by Standards & Poor's.

- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

B. REFUNDING GAINS AND LOSSES

Refunding gains and losses on debt refunding transactions are recorded as deferred inflows or deferred outflows, respectively, and generally amortized over the life of the new debt. On June 30, 2017, deferred outflows in governmental activities related to unamortized refunding losses included $1.0 million in the Department of Transportation and $1.0 million in the Department of Corrections. All of the unamortized refunding gains and losses in business-type activities were in Higher Education Institutions.

C. TIMING DIFFERENCES

Deferred Inflows are recorded for unavailable revenue resulting from timing differences that are primarily related to long-term taxes receivables. The majority of the deferred inflows balance is recognized as revenue over time in the government-wide Statement of Activities.

D. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met, except the time requirement. As of June 30, 2017, the Department of Health Care Policy and Financing, a governmental activity, held $0.3 million and Colorado State University, a business-type activity, held $0.4 million in receipts awaiting the passage of time.

E. SERVICE CONCESSION ARRANGEMENTS

Service Concession Arrangements are arrangements between a government and a governmental or nongovernmental entity in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Deferred inflows totaling approximately $139 million were related to Service Concession Arrangements at the High Performance Transportation Enterprise. Refer to Note 19 for additional information on Service Concession Arrangements.

F. PENSIONS

Primary Government

Additional information on the components of deferred inflows and deferred outflows for pensions can be found in Note 6.

Component Unit

The Colorado Water Resources and Power Development Authorities deferred outflows of resources and deferred inflow information comprised of refunding costs, refunding benefits and pension. These are reported on Statement of Net Position-Component Units.

NOTE 15 – NET POSITION AND FUND BALANCE

PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES TO NET POSITION

A. PRIOR PERIOD ADJUSTMENTS

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

Governmental activities decreased by $5,198,714. Colorado's Department of Public Health and Environment reduced accounts receivable and related allowances for receivables deemed uncollectable.

A transfer of vehicles and other assets from Centralized Capital Assets to the Brand Inspection Fund (Other Special Revenue) corrected the coding on these assets, but did not affect total Governmental fund balance.

(Amounts in Dollars)

	Government-Wide Statements		Fund-Level Statements		
			Major Governmental Fund		Major Proprietary Fund
Subject	Governmental Activities	Business-Type Activities	Environment and Health Protection	Centralized Capital Assets	Other Enterprises
Brand Inspection Vehicles	(545,040)	545,040		(545,040)	545,040
Reduction to Accounts Receivables and related Allowance For Billed Accounts Receivable by Department of Public Health and Environment	(5,198,714)		(5,198,714)		
	(5,743,754)	545,040	(5,198,714)	(545,040)	545,040

B. ACCOUNTING CHANGES

CSU implementation of GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans: Beginning fund balance in Fiduciary Assets of the Colorado State University was increased by $71,534,705.99. This correctly characterized these Other Post Employment Benefit plan assets as a fiduciary trust rather that as deposits held for others as they were formerly recorded. This implementation was for the fiscal year ending June 30, 2017.

CU implementation of GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets: Beginning fund balance was reduced by $46,640,326.01 to record the cumulative effect of GASB 73 adoption. This implementation was for the fiscal year ending June 30, 2017.

(Amounts in Dollars)

	Government-Wide Statements		Fund-Level Statements	
			Major Proprietary Fund	Major Fiduciary Fund
Subject	Governmental Activities	Business-Type Activities	Higher Education Institutions	Pension and Other Employee Benefit Trust
Colorado State University Other Post-Employment Benefits Trust				71,534,706
University of Colorado Alternate Medicare Plan		(46,640,326)	(46,640,326)	
	-	(46,640,326)	(46,640,326)	-

Component Unit

During 2016, the Colorado Water Resources and Power Development Authority adopted GASB Statement No. 72 of the Governmental Accounting Standards Board (GASB 72), *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements and related disclosures. Adoption of GASB 72 had no effect on the Authority's beginning net position as of January 1, 2015 or on the change in net position for the year ended December 31, 2015.

FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (see Note 1 for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 55,440	$ 482,935	$ 16,270
Business, Community and Consumer Affairs	-	57,093	-
Education	386,809	8,095	-
Health and Rehabilitation	-	24,276	-
Justice	-	10,193	-
Natural Resources	-	2,343	-
Social Assistance	-	61,096	-
TOTAL	$442,249	$ 646,031	$ 16,270
RESOURCE EXTRACTION:			
General Government	$ 66,000	$ -	$ -
Business, Community and Consumer Affairs	-	193,228	-
Education	-	2,124	-
Health and Rehabilitation	-	306	-
Natural Resources	13,173	915,241	-
TOTAL	$ 79,173	$ 1,110,899	$ -
HIGHWAY USERS TAX:			
General Government	$ 59,707	$ 33,614	$ -
Health and Rehabilitation	3,027	-	-
Justice	865	1,914	-
Transportation	854,179	17,400	-
TOTAL	$917,778	$ 52,928	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 236,726	$ -
Business, Community and Consumer Affairs	-	1,632	-
Education	-	3,056	-
Health and Rehabilitation	-	1,505	-
Justice	5	1,378	-
Natural Resources	-	57	-
Social Assistance	-	321	-
TOTAL	$ 5	$ 244,675	$ -
STATE EDUCATION:			
Education	$102,019	$ -	$ -
TOTAL	$102,019	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$169,116	$ 507,154	$ -
Business, Community and Consumer Affairs	43,605	298,992	-
Education	-	85,073	-
Health and Rehabilitation	17,822	96,329	-
Justice	-	189,172	-
Natural Resources	6,666	13,303	-
Social Assistance	441	80,809	-
TOTAL	$237,650	$ 1,270,832	$ -

The significant fund balances held for restricted purposes as of June 30, 2017, include:

- $386.8 million in the General Fund in the Education function includes $251.0 million related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $854.2 million in the Highway Users Tax Fund in the Transportation function includes $850.1 million in the State Highway Fund from motor fuels tax and fees pursuant to Article X of the State Constitution and is restricted for highway construction and maintenance.
- $102.0 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $169.1 million in the Other Governmental Funds in the General Government function includes $83.0 for the TABOR emergency reserve recorded in the Major Medical Fund, $80.0 million in the Debt Service Fund, $18.6 million recorded in the Clean and Renewable Energy Fund and $17.5 million recorded in the Mortgage Fraud Custodial Fund.

The significant fund balances held for committed purposes as of June 30, 2017, include:

- $482.9 million in the General Fund in the General Government function includes $444.0 million, a portion of the $584.3 million representing the 6 percent statutory reserve available on a GAAP basis (see Note 1).
- $192.2 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function includes $143.2 million in the Local Government Severance Tax Fund from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $915.2 million in the Resource Extraction Fund in the Natural Resources function includes $465.0 million in the Colorado Water Conservation Board Construction Fund that represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board; and $370.9 million in the Severance Tax Perpetual Base Fund for cash and long term severance tax loans receivables.
- $236.7 million in the Capital Projects funds in the General Government function represents cash and receivables related to appropriated multi-year capital projects.
- $507.2 million in the Other Governmental Funds in the General Government function primarily represents $277.6 million in the Unclaimed Property Funds and $75.8 million in Tobacco Litigation Settlement Funds.
- $299.0 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $50.4 million in the Limited Gaming Fund, $32.4 million in the Employment Support Fund and $13.8 million in the Workmen's Compensation Funds.
- $189.2 million in Other Governmental Funds in the Justice function primarily represents $52.5 million in the Disaster Emergency Fund in the Department of Public Safety, $15.5 million in the Supreme Court Committee Fund, $11.8 million in the Victims Compensation Fund, and $11.1 million in the Victims Assistance Fund.

STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(1)(d), the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. For Fiscal Year 2016-2017, the reserve is calculated as six percent of General Purpose Revenue Fund appropriations less exceptions pursuant to C.R.S. 24-75-201.1(2). C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2016-17 there was no use of the reserve. As of June 30, 2017, on a legal budgetary basis the reserve was $584.3 million. On a GAAP basis only $444.0 million was available for the reserve (see Note 1).

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

MINIMUM FUND BALANCE POLICIES

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

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board (OAB) has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2016-17, the maximum amount that could be kept in reserve was $68.1 million although the OAB lowered the target reserve to $3 million for that year. The reserve acts as a buffer to minimize the need for mid-year fee increases in the event that expenditures are higher than estimated.

NOTE 16 – INTERFUND TRANSACTIONS

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2017, were:

DUE FROM OTHER FUNDS (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 41,334	$ 66	$ -
Resource Extraction	-	-	-
Highway Users Tax	-	-	-
Capital Projects	-	-	-
Higher Education Institutions	6,971	415	572
Unemployment Insurance	1	-	-
MAJOR FUNDS SUBTOTAL	48,306	481	572
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Environment and Health Protection	1	-	-
Unclaimed Property	1	-	-
Other Special Revenue	38	-	149
OTHER GOVERNMENTAL FUNDS SUBTOTAL	40	-	149
ENTERPRISE FUNDS:			
Parks and Wildlife	-	-	-
Correctional Industries	-	-	-
State Nursing Homes	-	-	-
Transportation Enterprise	-	-	844
Other Enterprise Activities	-	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	-	-	844
INTERNAL SERVICE FUNDS:			
Central Services	-	-	-
Information Technology	1,721	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	1,721	-	-
FIDUCIARY FUNDS:			
State Employee Benefit Plans	203	-	-
College Savings Plan	-	-	-
Treasury Agency Funds	-	-	-
FIDUCIARY FUNDS SUBTOTAL	203	-	-
TOTAL	$ 50,270	$ 481	$ 1,565

DUE TO OTHER FUNDS
(DOLLARS IN THOUSANDS)

Capital Projects	Higher Education Institutions	State Lottery	All Other Funds	Total
$ -	$ 636	$ 15,371	28,942	$ 86,349
48	-	-	17,022	17,070
-	-	-	5,037	5,037
-	-	-	10	10
1,960	-	-	1,222	11,140
-	-	-	-	1
2,008	636	15,371	52,233	119,607
-	-	-	-	1
-	-	-	-	1
-	-	-	7,500	7,687
-	-	-	7,500	7,689
-	-	3,274	-	3,274
-	767	-	-	767
34	-	-	1	35
-	-	-	-	844
-	-	-	48	48
34	767	3,274	49	4,968
-	23	-	-	23
-	-	-	60	1,781
-	23	-	60	1,804
-	3,381	-	65	3,649
-	-	-	8,246	8,246
-	-	14,098	-	14,098
-	3,381	14,098	8,311	25,993
$ 2,042	$ 4,807	$ 32,743	$ 68,153	$ 160,061

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

The General Fund receivable of $28.9 million from All Other Funds is primarily comprised of $15.3 million in payables from the Limited Gaming Fund and $8.5 million from various cash funds to support incurred Medicaid expenditures.

The General Fund receivable of $41.3 million within the General Fund primarily includes $35.6 million in personal services and operating line item reversions payable from the General Purpose Revenue Fund to the State Employee Reserve Fund.

The General Fund receivable of $15.4 million from the State Lottery Fund primarily consists of a payable recorded by the Conservation Trust Fund for $13.1 million, and to the Building Excellent Schools Today Grant Program for approximately $2.3 million.

The Resource Extraction Fund receivable of $17.0 million from All Other Funds primarily consists of $17.4 million of loans from the Division of Parks and Wildlife Fund.

The Treasury Agency Fund receivable of $14.1 million represents the distribution of State Lottery Fund proceeds to the Great Outdoors Colorado Fund.

INTERFUND TRANSFERS

Transfers between funds for the fiscal year ended June 30, 2017, were:

TRANSFER-OUT FUND (DOLLARS IN THOUSANDS)	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund	$ 3,961,096	$ 4,342	$ 79,396
Resource Extraction	47,072	14	-
Highway Users Tax	12,797	-	802,726
Capital Projects	1,571	-	500
State Education	8,990	-	-
Higher Education Institutions	5,442	-	-
Unemployment Insurance	18	-	-
State Lottery	55,664	-	30
MAJOR FUNDS SUBTOTAL	4,092,650	4,356	882,652
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	221	353	-
Gaming	15,564	15	-
Tobacco Impact Mitigation	3,443	-	9
Resource Management	51	-	-
Environment and Health Protection	11,708	-	-
Unclaimed Property	182	-	-
Other Special Revenue	98,779	-	3,780
PERMANENT FUNDS:			
State Lands Trust	79,725	-	-
OTHER GOVERNMENTAL FUNDS SUBTOTAL	209,673	368	3,789
ENTERPRISE FUNDS:			
Parks and Wildlife	4,318	-	-
College Assist	79	-	-
State Fair	112	-	-
Correctional Industries	942	-	-
State Nursing Homes	1,977	-	-
Prison Canteens	79	-	-
Petroleum Storage	10	-	-
Transportation Enterprise	-	-	-
Other Enterprise Activities	411	-	-
OTHER ENTERPRISE FUNDS SUBTOTAL	7,928	-	-
INTERNAL SERVICE FUNDS:			
Central Services	368	-	-
Information Technology	388	-	-
Capitol Complex	719	-	-
Administrative Courts	71	-	-
Legal Services	3,256	-	-
Other Internal Service	215	-	-
INTERNAL SERVICE FUNDS SUBTOTAL	5,017	-	-
FIDUCIARY FUNDS:			
State Employee Benefit Plans	73	-	-
Treasurer's Private Purpose	23	-	-
FIDUCIARY FUNDS SUBTOTAL	96	-	-
TOTAL	$ 4,315,364	$ 4,724	$ 886,441

TRANSFER-IN FUND
(DOLLARS IN THOUSANDS)

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 88,983	$ 25,321	$ 230,231	$ 190,837	$ 4,580,206
-	-	7,019	2,289	56,394
1,152	-	-	134,068	950,743
71,227	-	138,708	5,115	217,121
-	-	7,847	34,025	50,862
-	-	2,932,151	-	2,937,593
-	-	-	-	18
-	-	-	14,723	70,417
161,362	25,321	3,315,956	381,057	8,863,354
-	-	-	245	819
1,557	-	8,712	18,913	44,761
7,386	-	15,325	23,062	49,225
-	-	-	-	51
-	-	-	776	12,484
-	-	-	-	182
10	-	13	50,929	153,511
-	-	730	192	80,647
8,953	-	24,780	94,117	341,680
-	-	-	5	4,323
-	-	-	98	177
-	-	-	-	112
-	-	-	-	942
-	-	-	2,261	4,238
-	-	-	-	79
-	-	-	-	10
-	-	-	27	27
-	-	-	48	459
-	-	-	2,439	10,367
-	-	-	551	919
-	-	-	-	388
-	-	-	305	1,024
-	-	-	-	71
-	-	-	73	3,329
-	-	-	-	215
-	-	-	929	5,946
-	-	-	-	73
-	-	-	-	23
-	-	-	-	96
$ 170,315	$ 25,321	$ 3,340,736	$ 478,542	$ 9,221,443

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Fund. These include $3,597.8 million from the General Purpose Revenue Fund to the State Public School Fund (both within the General Fund), $89.0 million to the Capital Projects funds (for controlled maintenance and capital projects), and $230.2 million to the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

Additional transfers-out from the General Fund include $79.4 million to the Highway Users Tax Fund and $97.4 million from the Public School Fund to the Charter School Institute Fund (both within the General Fund). In addition, $25.3 million was transferred to the State Education Fund, and $11.0 million was transferred to the Debt Service Fund for payment on outstanding certificates of participation issued by the Building Excellent Schools Today program.

The Resource Extraction transfer-out to the General Fund includes a $43.7 million transfer from the Mineral Leasing Fund to the State Public School Fund. Transfers to the Higher Education Fund include $7.0 million from the Federal Mineral Leasing Revenues Fund to the Lease-Purchase Cash Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $132.7 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Capital Projects transfers-out include $138.7 million to Institutions of Higher Education representing spending on state-funded capital projects managed by the institutions.

The State Education Fund transfers-out includes $34.0 million to the Early Literacy Fund in All Other Funds.

The Lottery transfer-out to the General Fund primarily comprises $55.7 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds. Additionally, $13.3 million was transferred to the Division of Parks and Wildlife in All Other Funds.

The Gaming transfers-out include distributions of limited gaming revenues of $15.6 to the General Fund and $7.5 million to the Creative Industries Cash Fund and the Advance Industries Acceleration Fund in the Governor's Office of Economic Development and International Trade.

The Tobacco Impact Mitigation Fund includes transfers-out to Higher Education Funds of $15.3 million from the Tobacco Litigation Settlement Moneys Health Education Fund.

The Other Special Revenue transfers-out to the General Fund include $41.2 million from the Retail Marijuana Excise Tax Fund to the Public School Capital Construction Assistance Fund (a special purpose fund in the General Fund). Additionally, the transfers-out to All Other Funds includes transfers of $31.6 million to the State Lands Trust Fund.

The State Lands Trust transfer-out to the General Fund includes $21.0 million to the State Public School Fund.

NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS

PLEDGED REVENUE

Various institutions of higher education, the Department of Labor and Employment, and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2016-17, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged $109.9 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 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $607 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 1998-99 and furthest maturity date of Fiscal Year 2054-55. 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 $1.6 billion. Individually significant Higher Education Institution pledges include:

- $1.2 billion (net) pledged by the University of Colorado to secure $127.7 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was issued in Fiscal Year 2015-16 and has a final maturity date of Fiscal Year 2046-47. The pledged revenue represents approximately 76.1 percent of the revenue stream, and $2.4 billion of the pledge (principal and interest) remains outstanding.

- $257 million (gross) pledged by Colorado State University to secure $67.9 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2054-55. The pledged revenue represents 100 percent of the total revenue stream, and $1.8 billion of the pledge (principal and interest) remains outstanding.

- $58.6 million (net) pledged by the Colorado School of Mines to secure $16.5 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 1998-99 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 78.6 percent of the revenue stream, and $322.9 million of the pledge (principal and interest) remains outstanding.

- $30.7 million (gross) pledged by Metropolitan State University of Denver to secure $7.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2045-46. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and $151.1 million of the pledge (principal and interest) remains outstanding.

- $24.6 million (net) pledged by Colorado Mesa University to secure $14.9 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents approximately 55.1 percent of the revenue stream and $362.6 million of the pledge (principal and interest) remains outstanding.

- $39.1 million pledged by the University of Northern Colorado to secure $10.4 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 2007-08 and furthest maturity date of Fiscal Year 2045-46. The pledged revenue represents 41.2 percent of the net total auxiliary and student fee revenue streams and also represents 100 percent of gross tuition revenues. $235.7 million of the pledge (principal and interest) remains outstanding.

- $18.7 million (gross) pledged by Colorado State University – Pueblo to secure $5.6 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $179.5 million of the pledge (principal and interest) remains outstanding.
- $7.7 million (net) pledged by the Fort Lewis College to secure $4.1 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The debt issuances had an earliest origination date of Fiscal Year 2007-08 and furthest maturity date of Fiscal Year 2037-38. The pledged revenue represents 35.5 percent of the revenue stream, and $74.2 million of the pledge (principal and interest) remains outstanding.
- $17.8 million (net) pledged by the Western State Colorado University to secure $5.9 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 2009-10 and furthest maturity date of Fiscal Year 2044-45. The pledged revenue represents 39.8 percent of the revenue stream, and $171.7 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	2,140,113	(496,614)	1,643,499	117,118	160,835	277,953
Statewide Bridge Enterprise	109,927	-	109,927	-	18,234	18,234
	$ 2,250,040	$ (496,614)	$ 1,753,426	$ 117,118	$ 179,069	$ 296,187

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 $18.4 million.

The University of Colorado reported net appreciation on endowment investments of $15.7 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 its established spending policy.

The Colorado School of Mines reported $1.9 million of net appreciation on endowment investments that was available for spending. The School reported the related net assets in Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The School has an authorized spending rate of 4.5% of the rolling 36-month average market value of the endowment investments.

Colorado State University reported $605,631 of net appreciation on its donor-restricted endowments that was available for spending. The University reported the related net position in Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. Expenditures of the University's investment income on endowment earnings held are authorized by the University President and expended in accordance with that authorization. They are also reported to the Board of Governors.

NOTE 18 – COMPONENT UNITS, SEGMENTS, AND RELATED PARTIES

COMPONENT UNITS

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, Statement No. 61 – The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and No. 34, and Statement No. 80 – Blending Requirements for Certain Component Units. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Information Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations, which constitute its debt and not debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The Authority incurred $9.5 million in expenses for the State during 2016 for two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to 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. During Fiscal Year 2015-16, the foundation distributed $106.2 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2015-16, the foundation transferred $47.6 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income. During Fiscal Year 2015-16 the foundation transferred, $21.6 million to the University.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide program, scholarship and other support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2015-16, the foundation transferred $10.6 million to the University. At June 30, 2016, the Foundation owed the University $0.6 million.

B. NONMAJOR COMPONENT UNITS

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

The Colorado Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies.

In 2005, the Authority entered into a limited partnership agreement to form Colorado Fund I, LP (Fund I) and committed to provide up to $21.8 million to Fund I. The period of commitment extends over the term of Fund I, originally ending June 2015 and extended to June 2018, and is for investment in businesses meeting criteria established by the Authority, specifically including businesses in the life sciences, information technology, agritechnology, medical device, and retail sectors. As of December 31, 2016, the VCA has contributed approximately $21.8 million, or 100 percent, of its total funding commitment to Fund I.

In 2010 the authority entered into a limited partnership agreement to form Colorado Fund II, LP (Fund II) and has committed to providing up to $25.4 million over the term of Fund II (through December 2019 unless otherwise terminated). As of December 31, 2016, the VCA has contributed approximately $23.9 million, or 94 percent, of its total funding commitment to Fund II.

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.

During the year ended June 30, 2016, net assets of $1.7 million were transferred to the University of Colorado, the University of Colorado Foundation and the University of Colorado Property Corporation, Inc. (CUPCO, blended within the University) from the University of Colorado Real Estate Foundation (CUREF). Since June 30, 2016, CUREF continues to transfer assets, liabilities and other obligations to the University and the affiliated parties, with all transfers and the dissolution of CUREF anticipated to be completed by June 30, 2017. The increase in the level of financial burden/benefit to the University affected the component unit determination for CUREF. CUREF was added as a discretely presented nonmajor component unit for the fiscal year ended June 30, 2016, which resulted in a $6.1 million decrease to beginning net position for component units.

SEGMENT INFORMATION

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

University of Colorado

CU Medicine, formerly University Physicians Incorporated (UPI), performs the billing, collection, and disbursement functions for professional services rendered as authorized in Section 23-20-114, Colorado Revised Statues 1973.

Campus Village Apartments, LLC (CVA) is organized, operated and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth and wellbeing of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping and operating a student housing facility, to include related improvements and amenities.

Auraria Higher Education Center

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

The following page presents condensed financial information for the State's segments. Segment information for Auraria Higher Education Center is presented as of June 30, 2016.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2017

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO		AURARIA HIGHER EDUCATION CENTER June 30, 2016	
	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:				
Current Assets	$ 245,666	$ 4,883	$ 5,725	$ 8,554
Other Assets	243,536	5,285	4,732	363
Capital Assets	40,649	29,379	46,009	20,908
Total Assets	529,851	39,547	56,466	29,825
DEFERRED OUTFLOW OF RESOURCES	-	-	(635)	(110)
LIABILITIES:				
Current Liabilities	48,706	1,698	2,819	4,317
Noncurrent Liabilities	7,653	52,407	40,073	24,766
Total Liabilities	56,359	54,105	42,892	29,083
DEFERRED INFLOW OF RESOURCES	-	-	76	90
NET POSITION:				
Net Investment in Capital Assets	31,699	(22,473)	3,909	1,622
Restricted for Permanent Endowments:				
Restricted Net Position	-	7,977	4,311	4,856
Unrestricted	441,793	(62)	4,643	(5,936)
Total Net Position	$ 473,492	$ (14,558)	$ 12,863	$ 542

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
OPERATING REVENUES:				
Tuition and Fees	$ -	$ -	$ -	$ 5,426
Sales of Goods and Services	848,898	3,227	9,789	17,353
Other	-	-	-	55
Total Operating Revenues	848,898	3,227	9,789	22,834
OPERATING EXPENSES:				
Depreciation	4,722	674	2,463	2,017
Other	789,968	1,623	7,326	18,497
Total Operating Expenses	794,690	2,297	9,789	20,514
OPERATING INCOME	54,208	930	-	2,320
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income	3,310	123	388	28
Gifts and Donations	(11,533)	895	-	-
Other Nonoperating Revenues	34	-	-	-
Debt Service	(220)	(1,480)	(1,795)	(833)
Other Nonoperating Expenses	-	-	-	(7,610)
Total Nonoperating Revenues(Expenses)	(8,409)	(462)	(1,407)	(8,415)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Transfers-In	-	-	1,407	1,570
Special and Extraordinary Items	-	(15,026)		
Total Contributions, Transfers, and Other	-	(15,026)	1,407	1,570
CHANGE IN NET POSITION	45,799	(14,558)	-	(4,525)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	427,693	-	12,863	5,067
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 473,492	$ (14,558)	$ 12,863	$ 542

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
NET CASH PROVIDED (USED) BY:				
Operating Activities	$ 39,038	$ 1,176	$ 4,864	$ 4,181
Noncapital Financing Activities	(11,533)	895	(1,407)	(1,217)
Capital and Related Financing Activities	(3,757)	(1,759)	(3,556)	(2,985)
Investing Activities	(27,268)	(484)	(206)	(33)
NET DECREASE IN CASH AND POOLED CASH	(3,520)	(172)	(305)	(54)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	84,577	937	5,715	5,235
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 81,057	$ 765	$ 5,410	$ 5,181

RELATED PARTIES AND ORGANIZATIONS

Primary Government

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with University of Colorado Health (UCHealth) under contracts that support the University's medical education mission. During Fiscal Year 2016-17, under these contracts, UCHealth paid the University $86.3 million and the University paid UCHealth $10.3 million. At June 30, 2017, the University had accounts receivable from UCHealth for $4.2 million, and had no accounts payable to UCHealth.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, the University of Colorado Hospital Authority, and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2016-17 the Trust paid medical claims on behalf of the University of $197.1 million. The University contributed $191.5 million to the Trust and its employees contributed $25.2 million. At June 30, 2017, the University had accounts receivable from the Trust for $830,000 and accounts payable to the Trust for $7.0 million.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $1.5 million in cash and $31,896 in in-kind transfers to the University in Fiscal Year 2016-17. At June 30, 2017, the University had an account receivable from the Foundation for $3.3 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.5 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2016-17.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2016-17, the Foundation awarded $1.5 million in scholarship funds directly to students and $2.7 million in donations and contributions to Colorado Mesa University. In the same year, Colorado Mesa University made operating transfers to the Colorado Mesa University Foundation for $359,718.

The Colorado Mesa University Real Estate Foundation donated $6.7 million in property to Colorado Mesa University. The University made operating transfers for $6.2 million to the Colorado Mesa University Real Estate Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2016-17 the Foundation funded $894,496 for scholarships and passed through $1.3 million in gifts and pass-through grants for program support.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.8 million of funding to the University in Fiscal Year 2016-17. The foundation also reimbursed the University $348,420 for services provided by University employees and left un-reimbursed $340,094 of these services. At June 30, 2017, the Foundation owed the University $437,206.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $4.8 million to the University in Fiscal Year 2016-17.

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

In Fiscal Year 2016-17, the Arapahoe Community College Foundation transferred $659,626 in scholarships and grants to Arapahoe Community College.

The Community College of Aurora Foundation provided the Community College of Aurora with scholarships and grants in Fiscal Year 2016-17 for $588,081. In previous years, the Community College of Aurora made lease payments to the Community College of Aurora Foundation for the CentreTech Campus, but the Community College of Aurora purchased the CentreTech campus in FY 2015-2016.

The Community College of Denver Foundation provided $636,954 to the Community College of Denver for scholarships and $172,087 in pass through grant funding and support for other activities.

Front Range Community College received from the Front Range Community College Foundation $550,411 for scholarships. Front Range Community College provided $270,093 in personnel and operating support to the Front Range Community College Foundation.

Pikes Peak Community College Foundation provided $1.0 million to Pikes Peak Community College in the form of reimbursements for direct expenditures, financial aid support and grant funds. The College in turn provided $305,124 of operating support to the Foundation.

The Pueblo Community College Foundation provided Pueblo Community College $904,576 in the form of scholarships, grants, construction funds, program funding and discretionary funds.

The Red Rocks Community College Foundation provided $904,215 to Red Rocks Community College. Of this amount, $432,281 was for scholarships, $172,564 was for the construction of the Arvada Health Professions and Science Building, and $160,467 was for pass-through grants. The rest of the funds were for other grants, special projects and support of operating expenses. The College provided $280,938 to the Foundation for operating expenses.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2016-17, the Board funded $30.5 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2017, GOCO owed the Department of Natural Resources $7 million.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, is a related party to the State through the Department of Health Care Policy & Financing. During Fiscal Year 2016-17 the Colorado Health Benefit Exchange reimbursed the State $341,348 for software programming and other information technology expenses.

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

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds two CHFA bonds with a face value of $4.3 million as of June 30, 2017. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates of January 1, 2025 and December 1, 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Colorado Energy Office State Energy Plan grant that provides loans for energy efficiency or renewable energy projects. The outstanding loan balance at CHFA on June 30, 2017 was $5.8 million. In Fiscal Year 2016-17, the Energy Office paid CHFA $19,000 in administrative fees for this service.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from

the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624.8 million. These bonds were paid in full as of May 2017. The Department of Labor and Employment paid CHFA $60,000 in administration fees in Fiscal Year 2016-17 for this arrangement.

Component Units

The Colorado Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2016, VCA's investments in Colorado Fund I and Colorado Fund II totaled $21.6 million and $28.9 million respectively.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

SERVICE CONCESSION ARRANGEMENTS

On February 25 2014, HPTE and Plenary Roads Denver (PRD) completed the financial close of a concession agreement. The commercial close of the concession agreement finalized the terms of the agreement. The concession agreement with PRD transferred the operations, maintenance, and revenues from the I-25 High Occupancy Toll (HOT) lanes and the U.S. 36 Phase I project to Plenary Roads Denver from HPTE for the next fifty years. The concession agreement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements. PRD will finance, design, and construct U.S. 36 Phase II, and then operate and maintain, Phase I, Phase II, and the existing I-25 HOT lanes.

Under the agreement, the Enterprise received from PRD a transfer of capital assets and the assumption of the TIFIA loan. In accordance with GASB 60 the Enterprise recorded the capital assets consisting of tolling software and toll lanes at the acquisition value of $88,716.505. The Book value of the TIFIA loan assumed by PRD was $54 million. These amounts are included in deferred inflows of resources on the statement of net position.

ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of $75.5 million, $101.0 million and $1.1 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC @ Metro, Inc. The HLC @ Metro, Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds in October 2010, loaning the proceeds to HLC @ Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC @ Metro, Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due, and HLC @ Metro, Inc. is obligated to repay all payments made on its behalf. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2017, no liability was recorded by the University as HLC @ Metro, Inc. was deemed fully capable of making its debt payments.

CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

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

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

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

At June 30, 2017, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $167.9 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims exceeding $5.0 million include two claims for refunds of $13.7 million to $22.1 million income taxes. The Department of Revenue will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.3 billion are outstanding. Of this amount, $1 billion is covered by private insurance.

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

Due to unclear guidance provided by the Centers for Medicare and Medicaid Services (CMS), the Department of Health Care Policy and Financing, as well as several other states, may have to repay a portion of the $38.4 million CHIPRA Bonus payments it received from CMS based on an Office of the Inspector General (OIG) audit finding. The Department strongly disagrees with this OIG audit finding and believes the OIG misinterpreted federal regulations and written guidance related to the CHIPRA bonus calculation. The Department is prepared to challenge this if repayment is requested by CMS and join other states in disputing this through all available channels including the State and Federal Courts. The likelihood of an unfavorable outcome is uncertain.

The Centers for Medicare and Medicaid Services (CMS) conducted an onsite visit of the Pueblo Regional Center (PRC) and sent the Colorado's Department of Health Care Policy and Financing (HCPF) a report of its findings and requested a development of corrective action plan. CMS claimed that HCPF violated federal administrative requirements regarding administration of the Medicaid Home and Community Based Services waiver program for developmentally disabled for approximately 60 individuals. CMS alleged violations of federal rules that involve the provision of services to those individuals between November 1, 2014 and November 2015 and seeks disallowance of payments to HCPF for services provided at PRC. HCPF submitted its proposed corrective action plan on September 26, 2016. HCPF has submitted responses to additional follow-up questions from CMS in March and August 2017. HCPF continues to work to fully respond and implement the CAPs requirements. As of September 13, 2017, HCPF continues to wait for feedback from CMS as to the scope of its determination of non-compliance. HCPF has filed a federal administrative appeal with the Department of Health and Human Services to dispute the scope of the CAP and any proposed remedial sanctions, but that matter is stayed to allow the parties to attempt to negotiate a resolution. The likelihood of an unfavorable outcome is uncertain. There is a possibility that the losses could reach greater than $5 million.

A suit was filed against the Colorado Department of Health Care Policy and Financing where the plaintiff seeks to expand the coverage of Direct Antiviral Acting (DAA) drugs for all Medicaid recipients with Hepatitis C, and to enjoin the Department from implementing any policy or protocol that denies access to DAA drugs to any Medicaid beneficiary who is infected with Hepatitis C. The Department estimates that it would cost $200 million in state funds to provide DAA drugs to all Medicaid recipients infected with Hepatitis C. The original case above was dismissed on February 17, 2017; however on April 13, 2017 a new case was filed by three new plaintiffs on essentially the same grounds, and this new case was further amended on May 9, 2017 to add a fourth plaintiff. Plaintiffs then filed a motion to certify it as a class, that motion is fully briefed and pending before the court. A ten-day trial is set to commence October 29, 2018. The Department of Health Care Policy and Financing will vigorously defend these claims. The likelihood of an unfavorable outcome is uncertain.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Department of Health Care Policy and Financing alleging that the hospital provider fee is a tax, not a fee; therefore, requiring a vote of the people. The plaintiffs challenge the fee imposed in Fiscal Years 2011, 2012 and 2013, and seek a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately $5.4 billion has been collected in fees. The Complaint was filed on June 26, 2015. The Colorado Department of Health Care Policy and Financing filed a motion to dismiss arguing that the hospital provider fee is a fee and not a tax. The Motion was fully briefed and pending before the district court for 20 months when plaintiffs filed an Amended Complaint. Per the Court's order, on September 8, 2017, the State filed a supplement to the motion to dismiss adding grounds to dismiss the new claims in the Amended Complaint. The Colorado Department of Health Care Policy and Financing will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

A suit was filed against the Colorado Department of Human Services where the plaintiff seeks $10.0 million in damages due to suffering life-long injuries from an assault in a Division of Youth Correction facility. A motion to dismiss has been briefed, and the State is awaiting the Court's decision. The Department of Human Services will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

In January 2015, The United States Supreme Court issued its ruling in the case of The State of Kansas versus The States of Colorado and Nebraska claiming overuse of water supply available under the Republican River Compact. As a result of that ruling, The State of Nebraska was required to pay Kansas $5.5 million. The ruling also paved the way for state parties to come to agreement and finalize accounting of the available Republican River water supply and past uses by each state. Currently the accounting is finalized and both Nebraska and Kansas may consider asserting claims against Colorado for its documented overuse. Both states have indicated a strong interest in settling this past debt without litigation; nonetheless they have reserved the right to seek relief against Colorado if a settlement cannot be reached. No specific amount of damages has been determined; however they may exceed $5.0 million.

The State of Texas filed suit against The State of New Mexico claiming that New Mexico's groundwater pumping denied Texas access to their full entitlement under the Rio Grande Compact. Following briefing by the U.S. Solicitor, and a motion to intervene filed by The United State Department of Justice, the Supreme Court accepted suit against New Mexico for violating the Rio Grande Compact. Although no claims at this time have been asserted against The State of Colorado, the State is named as a defendant because it is a signatory to the Compact. Both Texas and New Mexico have indicated that they do not want to pull Colorado into the litigation any more than necessary, but neither of those states nor the United States is willing at this time to stipulate to limitations in the case to protect Colorado's interests. No dollar amount has been stated against Colorado, however depending on how the Court interrupts the Rio Grande Compact, either Texas or New Mexico or both could seek damages against Colorado. In what amount and on what basis, however, is unknown. Due to the unlimited timeline and extended timeframe associated with interstate litigation, this case is expected to last several years.

Two suits were filed by Heartland Biogas, LLC (Heartland) against The State of Colorado (Departments of Agriculture & Public Health and Environment) where the plaintiff seeks $100 million in damages in each case due to the voluntary closure of their biogas facility. In the first case the plaintiff alleges the State violated its due process and substantive due process rights. The Defendants filed a motion to dismiss. The Magistrate Judge recommended that the State Defendants' motion to dismiss be granted and that the claims against the State Defendants be dismissed with prejudice. The parties are awaiting the District Court Judges' review of the recommendation. The Defendants also filed a motion to dismiss the second case, where the plaintiff alleges the State is liable under a theory of estoppel and that the State's action constituted a regulatory taking. The State is unable to estimate the likelihood of an adverse outcome.

The National Federation of Independent Businesses (NFIB), has filed suit against the Colorado Secretary of State alleging that §§ 24-21-104 and 24-21-104.5, C.R.S. violate TABOR. These provisions allocate fees collected by the Secretary's Business and Licensing Division to a cash fund, and authorize appropriations from that cash fund to the Secretary's Elections Division and to counties to support election functions. NFIB seeks a refund of allegedly unconstitutionally collected registration fees, and the imposition of penalties, interest, fees, and costs in accordance with Colorado Constitution Article X, § 1. The complaint does not seek a precise monetary award; The State's estimate of exposure is approximately $20 million. The parties filed cross-motions for summary judgment in Denver District Court. After full briefing and oral argument, on November 3, 2015, the District Court granted summary judgment in the Secretary's favor. The Court did not decide whether the fees are taxes. NFIB has filed a timely appeal to the Colorado Court of Appeals, and the matter is now fully briefed.

In an unpublished decision, the Court of Appeals reversed the trial court's grant of summary judgment in favor of the Secretary and remanded the case for further factual development on the question of whether and to what extent the Secretary's fees have increased post-TABOR's enactment. The parties filed a joint petition for rehearing that was summarily denied, and then each party cross-petitioned for a writ of certiorari. The cross-petitions have been fully briefed and are pending before the Supreme Court. The Secretary will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 19, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 20 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 18, 2017, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2017A. The notes mature on June 27, 2018. The total due on that date includes $600,000,000 in principal and $23,353,333 in interest. The GTRAN was issued with a premium of $18,030,200, an average coupon rate of 4.13%, and a true interest cost of 0.92%.

On July 20, 2017, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2017A. The notes mature on June 28, 2018. The total due on that date includes $290,000,000 in principal and $11,266,667 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of $8,778,650, an average coupon rate of 4.14%, and a true interest cost of 0.90%.

On August 10, 2017, the Colorado School of Mines issued $27,675,000 with a premium of $4,509,313 in Institutional Enterprise Revenue Bonds, Series 2017A. The coupon rates of the bonds range from 2% - 5% with final maturity in late 2047. Proceeds of the Series 2017A Bonds will be used for financing certain improvements at the Colorado School of Mines as well as the cost of bond issuance.

B. OTHER

Component Units

The capitalization grants in both the Water Pollution Control Enterprise Fund (WPCRF) and the Drinking Water Revolving Fund (DWRF) programs, both of which are managed by the Colorado Water Resources and Power Development Authority, require that a minimum amount of the grant be used for additional subsidy. Additional subsidy can be grants, principal forgiveness, or negative interest loans. The Authority uses principal forgiveness as the additional subsidy. In the event there are remaining principal forgiveness funds available, which is generally not known or approved until January of the year subsequent to the loan executions, the Authority, with approval and coordination with the Water Quality Control Division, will award the remaining funds to eligible disadvantaged community loans that were executed during the year and reduce the outstanding balance of the loan as of the current year-end. The Authority recorded additional principal forgiveness in 2016 that was approved in 2017 in the WPCRF and DWRF programs of $551,525 and $1,439,030, respectively.

The Denver Metropolitan Major League Baseball Stadium District and the Colorado Rockies Baseball Club (CRBC) signed a new Ballpark lease commencing on March 31, 2017 and terminating March 31, 2047 plus three 5-year renewal options. The lease provides for payments by CRBC of $2.5 million annually, consisting of $1 million in rent and $1.5 million contribution to the capital fund. These amounts will be paid in two semi-annual installments in January and September. The lease also contains parking revenue-sharing provisions. Additionally, the new Ballpark lease agreement provides for a 99-year ground lease of the West Lot for which CRBC will make annual payments to the Capital Repairs Fund as follows:

On July 1, 2016, the Land Holding Venture, LLC (LHV LLC), with the University of Colorado Real Estate Foundation (CUREF) as sole member, transferred its ownership interest in various vacant land holdings and in a residential home to University of Colorado Property Corporation, Inc. (CUPCO) which were carried at $4.1 million as of June 30, 2016. On the same date, LHV transferred its interest in an option agreement to purchase vacant land to CUPCO carried at $15.7 million.

On July 1, 2016, CUREF assigned its single share in University of Colorado United Kingdom Foundation Limited (CU UK) to the University of Colorado Foundation. The net assets of CU UK of $1.0 million were consolidated into CUREF as of June 30, 2016.

On July 7, 2016, LHV LLC executed a binding commitment to sell real property to a third party for $1.2 million, subject to certain contingencies. LHV LLC transferred the same real property to CUPCO on July 13, 2016, subject to the purchase and sale commitment. The carrying value of this property was $0.6 million as of June 30, 2016.

On July 31, 2016, Partnership Holding Venture, LLC (PHV LLC), with CUREF as sole member, transferred its assets to the University of Colorado Foundation and Campus Village Apartments II (CVA II), with CUREF as sole member, transferred its assets to CUPCO. Both PHV LLC and CVA II were dissolved as of July 31, 2016.

On August 1, 2016, CUREF transferred its sole membership interest in 18th Avenue, LLC, to the University. 18th Avenue's net assets of $1.7 million were consolidated into CUREF as of June 30, 2016. In addition, 33rd Street, LLC, with CUREF as sole member, sold real property to the University, subject to existing leases, under terms of a purchase and sale agreement dated October 31, 2013, and amended July 26, 2016 where the two parties executed a binding commitment to sell real property on August 1, 2016 ("the closing date"), which was closed as scheduled.

On September 16, 2016, Campus Village Apartments (CVA), with CUREF as sole member, and the owner of an off-campus housing project, the plaintiff in litigation, mutually agreed to limit the monetary risks arising from the uncertainty of a pending appeal decision. The plaintiff, in the lower court case, challenged the policy of the University to require, according to the plaintiff, "with very few exceptions [that] all first-time domestic freshman and international students" at CU Denver live at CVA. A jury trial in 2015 returned a verdict in favor of the plaintiff and awarded damages. The agreement reached in September 2016 provides for payment to the plaintiff of $6.2 million to be made by CUREF on behalf of CVA if the appeals court finds in favor of the plaintiff. In the event the appeals court returns a decision reversing the verdict and vacating the judgment, CVA will have no further payment obligation. If the appeals court remands the case to the district court for rehearing, the plaintiff agrees to dismiss the original claims, as well as pending newer claims. If the appeals court affirms the district court's judgment, CVA agrees to pay the plaintiff an additional $0.1 million, and the plaintiff agrees to acknowledge that the judgment has been satisfied and will dismiss all claims.

On December 31, 2016, CUREF transferred all if its membership interests in CVA to CUPCO. The total assets of CVA at December 31, 2016 was $40,015,888, total liabilities were $54,500,096 of which $53,033,531 was tax exempt bond obligations (net of unamortized bond discount).

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, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 3,006,379	
Income Taxes			6,296,010	
Other Taxes			274,467	
Federal Grants and Contracts			(727)	
Tuition and Fees			-	
Sales and Services			319	
Interest Earnings			16,311	
Medicaid Provider Revenues			-	
Other Revenues			37,718	
Transfers-In			135,814	
Capital Contributions			-	
TOTAL REVENUES AND TRANSFERS-IN			9,766,291	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 10,753	$ 10,753	10,688	$ 65
Corrections	759,196	752,413	750,544	1,869
Education	3,764,627	3,764,789	3,764,202	587
Governor	35,996	33,678	33,299	379
Health Care Policy and Financing	2,654,392	2,622,722	2,530,441	92,281
Higher Education	871,035	869,498	869,320	178
Human Services	831,638	830,190	824,251	5,939
Judicial Branch	486,329	491,242	487,640	3,602
Labor and Employment	20,786	20,682	20,593	89
Law	15,139	15,191	14,795	396
Legislative Branch	44,789	44,772	44,772	-
Local Affairs	21,783	21,058	20,870	188
Military and Veterans Affairs	8,306	8,442	8,219	223
Natural Resources	28,743	28,743	28,543	200
Personnel & Administration	13,146	12,146	11,894	252
Public Health and Environment	47,630	47,630	47,603	27
Public Safety	123,111	122,681	122,232	449
Regulatory Agencies	1,769	1,769	1,629	140
Revenue	71,714	71,705	71,226	479
State	-	-	-	-
Transportation	-	-	-	-
Treasury	3,308	3,308	1,080	2,228
Transfers Not Appropriated by Department	-	-	-	-
TABOR Refund and Nonappropriated Estimates (See Note 8B)				
SUB-TOTAL OPERATING BUDGETS	9,814,190	9,773,412	9,663,841	109,571
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,147	904	243
Corrections	20,664	28,419	15,039	13,380
Education	1,323	17,124	4,208	12,916
Governor	10,316	47,294	12,549	34,745
Health Care Policy and Financing	-	-	-	-
Higher Education	22,313	173,643	130,391	43,252
Human Services	20,576	50,487	20,536	29,951
Judicial Branch	-	-	-	-
Labor and Employment	-	-	-	-
Law	-	-	-	-
Legislative Branch	-	-	-	-
Local Affairs	-	-	-	-
Military and Veterans Affairs	3,975	4,049	1,003	3,046
Natural Resources	-	-	-	-
Personnel & Administration	11,484	32,777	16,105	16,672
Public Health and Environment	-	167	71	96
Public Safety	1,535	2,737	938	1,799
Regulatory Agencies	-	-	-	-
Revenue	-	83,427	20,935	62,492
State	-	-	-	-
Transportation	500	500	500	-
Treasury	-	13	-	13
Budgets/Transfers Not Recorded by Department	-	-	-	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	92,686	441,784	223,179	218,605
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,906,876	$ 10,215,196	9,887,020	$ 328,176
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (120,729)	

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, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 40,569	
Income Taxes			540,000	
Other Taxes			90,672	
Federal Grants and Contracts			-	
Tuition and Fees			2,706,367	
Sales and Services			1,141,860	
Interest Earnings			28,753	
Health Care Provider Fees			309	
Other Revenues			685,676	
Transfers-In			1,178,408	
Capital Contributions			2,093	
TOTAL REVENUES AND TRANSFERS-IN			6,414,707	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,192	$ 30,597	27,612	$ 2,985
Corrections	71,161	79,405	50,247	29,158
Education	1,059,632	1,059,808	951,120	108,688
Governor	241,844	241,884	206,268	35,616
Health Care Policy and Financing	1,019,032	1,051,911	1,023,450	28,461
Higher Education	2,781,026	2,817,153	2,779,059	38,094
Human Services	237,974	242,196	192,840	49,356
Judicial Branch	157,706	156,933	128,469	28,464
Labor and Employment	72,691	71,500	69,883	1,617
Law	59,679	59,704	54,267	5,437
Legislative Branch	990	990	916	74
Local Affairs	25,114	24,139	18,506	5,633
Military and Veterans Affairs	2,012	2,012	1,564	448
Natural Resources	193,458	197,206	163,009	34,197
Personnel & Administration	120,982	123,281	108,949	14,332
Public Health and Environment	232,054	235,518	202,081	33,437
Public Safety	218,191	219,083	197,386	21,697
Regulatory Agencies	80,754	80,595	72,743	7,852
Revenue	199,958	201,952	173,357	28,595
State	22,077	22,489	21,702	787
Transportation	34,199	34,294	33,004	1,290
Treasury	2,717	2,732	2,492	240
Budgets/Transfers Not Recorded by Department	-	-	-	-
SUB-TOTAL OPERATING BUDGETS	6,866,443	6,955,382	6,478,924	476,458
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	16,709	18,174	854	17,320
Corrections	660	1,322	-	1,322
Education	-	-	-	-
Governor	-	18,587	617	17,970
Health Care Policy and Financing	-	-	-	-
Higher Education	2,757	125,833	71,784	54,049
Human Services	1,003	989	17	972
Judicial Branch	-	5,464	-	5,464
Labor and Employment	26,213	27,352	9,811	17,541
Law	-	-	-	-
Legislative Branch	-	-	-	-
Local Affairs	-	-	-	-
Military and Veterans Affairs	-	-	-	-
Natural Resources	9,433	31,277	5,256	26,021
Personnel & Administration	-	16,267	1,048	15,219
Public Health and Environment	897	22,349	3,417	18,932
Public Safety	-	4,049	59	3,990
Regulatory Agencies	-	-	-	-
Revenue	-	-	-	-
State	-	-	-	-
Transportation	-	500	500	-
Treasury	-	237	-	237
Budgets/Transfers Not Recorded by Department	-	-	-	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	57,672	272,400	93,363	179,037
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 6,924,115	$ 7,227,782	6,572,287	655,495
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (157,580)	

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, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ -	
Income Taxes			-	
Other Taxes			-	
Federal Grants and Contracts			$ 5,099,263	
Tuition and Fees			-	
Sales and Services			-	
Interest Earnings			-	
Medicaid Provider Revenues			-	
Other Revenues			-	
Transfers-In			-	
TOTAL REVENUES AND TRANSFERS-IN			5,099,263	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ -	$ -	-	$ -
Corrections	-	-	-	-
Education	-	-	-	-
Governor	-	-	-	-
Health Care Policy and Financing	-	-	-	-
Higher Education	-	-	-	-
Human Services	-	-	-	-
Judicial Branch	-	-	-	-
Labor and Employment	-	-	-	-
Law	-	-	-	-
Legislative Branch	-	-	-	-
Local Affairs	-	-	-	-
Military Affairs	-	-	-	-
Natural Resources	-	-	-	-
Personnel	-	-	-	-
Public Health and Environment	-	-	-	-
Public Safety	-	-	-	-
Regulatory Agencies	-	-	-	-
Revenue	-	-	-	-
State	-	-	-	-
Transportation	-	-	-	-
Treasury	-	-	-	-
Transfers Not Appropriated by Department	-	-	-	-
SUB-TOTAL OPERATING BUDGETS	-	-	-	-
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	-	-	-
Corrections	-	-	-	-
Education	-	-	-	-
Governor	-	-	-	-
Health Care Policy and Financing	5,194,175	5,141,655	4,738,674	402,981
Higher Education	-	-	-	-
Human Services	315,078	317,086	296,328	20,758
Judicial Branch	-	-	-	-
Labor and Employment	38,257	41,642	36,988	4,654
Law	-	-	-	-
Legislative Branch	-	-	-	-
Local Affairs	-	-	-	-
Military and Veterans Affairs	-	372	36	336
Natural Resources	-	-	-	-
Personnel & Administration	-	-	-	-
Public Health and Environment	21,056	19,749	17,331	2,418
Public Safety	-	-	-	-
Regulatory Agencies	-	-	-	-
Revenue	-	-	-	-
State	-	-	-	-
Transportation	-	-	-	-
Treasury	-	-	-	-
Budgets/Transfers Not Booked by Department	-	-	-	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,568,566	5,520,504	5,089,357	431,147
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 5,568,566	$ 5,520,504	5,089,357	$ 431,147
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 9,906	

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, 2017

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	$ 9,680,717	$ -	$ -	$ 85,574
Cash	623,307	42,891	260,234	78,292
Federal	5,096,251	-	-	53
Sub-Total Revenues and Transfers-In Appropriated	15,400,275	42,891	260,234	163,919
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	584,889	-	-	-
Cash	4,140,931	404,759	2,016,230	11,729
Federal	2,611,899	109,964	843,438	10,930
Sub-Total Revenues and Transfers-In Non-Appropriated	7,337,719	514,723	2,859,668	22,659
Total Revenues and Transfers-In Appropriated and Non-Appropriated	22,737,994	557,614	3,119,902	186,578
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	9,663,841	-	-	223,179
Cash Funded	589,593	52,846	252,862	77,903
Federally Funded	5,088,195	-	-	53
Expenditures/Expenses and Transfers-Out Appropriated	15,341,629	52,846	252,862	301,135
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	611,227	-	-	-
Cash Funded	4,054,764	232,115	2,181,365	8,636
Federally Funded	2,616,656	109,970	730,877	10,847
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,282,647	342,085	2,912,242	19,483
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,624,276	394,931	3,165,104	320,618
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Appropriated	58,646	(9,955)	7,372	(137,216)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	55,072	172,638	(52,574)	3,176
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(8,789)	(5,845)	(5,466)	(2,107)
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	308,627	119,847	982	(1,902)
Increase/(Decrease) for GAAP Revenue Adjustments	(337,748)	(345,762)	(1,016)	(34)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	75,808	(69,077)	(50,702)	(138,083)
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421	386,194
Addition of Northwestern Community College	-	-	-	-
Prior Period Adjustments (See Note 29A)	-	-	-	-
Accounting Changes (See Note 29B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 1,152,390	$ 1,241,863	$ 980,719	$ 248,111

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

		PROPRIETARY FUND TYPES						
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,766,291
569,492	1,536,671	2,751,072	13,416	703	210,409	325,214	3,006	6,414,707
-	1,992	6	-	-	961	-	-	5,099,263
569,492	1,538,663	2,751,078	13,416	703	211,370	325,214	3,006	21,280,261
-	-	-	-	-	-	-	-	584,889
-	1,552,856	325,029	654,319	556,900	349,432	61,181	2,327,086	12,400,452
-	164,943	-	20,833	-	426,726	-	-	4,188,733
-	1,717,799	325,029	675,152	556,900	776,158	61,181	2,327,086	17,174,074
569,492	3,256,462	3,076,107	688,568	557,603	987,528	386,395	2,330,092	38,454,335
-	-	-	-	-	-	-	-	9,887,020
735,633	1,519,447	2,737,402	17,293	82,503	183,435	320,746	2,624	6,572,287
-	-	-	-	-	1,109	-	-	5,089,357
735,633	1,519,447	2,737,402	17,293	82,503	184,544	320,746	2,624	21,548,664
-	-	-	-	-	-	-	-	611,227
34,025	1,229,338	125,785	467,362	361,673	180,725	65,403	1,421,733	10,362,924
-	145,746	14,397	20,231	-	382,340	-	-	4,031,064
34,025	1,375,084	140,182	487,593	361,673	563,065	65,403	1,421,733	15,005,215
769,658	2,894,531	2,877,584	504,886	444,176	747,609	386,149	1,424,357	36,553,879
(166,141)	19,216	13,676	(3,877)	(81,800)	26,826	4,468	382	(268,403)
(34,025)	342,715	184,847	187,559	195,227	213,093	(4,222)	905,353	2,168,859
(2,143)	(36,770)	-	(3)	(354)	(4,133)	(230)	(1,499)	(67,339)
-	-	-	-	-	-	-	-	-
391	546,590	19,107	(4,992)	(118,797)	(28,887)	(91,139)	1,824	751,651
(391)	(728,320)	784	(244)	(8)	(18,875)	4,367	(5,310)	(1,432,557)
-	-	(840,601)	-	-	-	-	-	(840,601)
(202,309)	143,431	(622,187)	178,443	(5,732)	188,024	(86,756)	900,750	311,610
304,440	2,499,848	3,021,946	749,946	(20,558)	1,230,319	(278,085)	6,774,029	18,087,022
-	-	-	-	-	-	-	-	-
-	(5,199)	-	-	-	545	-	-	(4,654)
-	-	(46,640)	-	-	-	-	71,535	24,895
$ 102,131	$ 2,638,080	$ 2,353,119	$ 928,389	$ (26,290)	$ 1,418,888	$ (364,841)	$ 7,746,314	$ 18,418,873

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $508.0 million of the GAAP General Fund balance of $1,152.4 million on the *Balance Sheet – Governmental Funds.*

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

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

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund balance on the *Combining Balance Sheet – General Fund Components* presented in the Supplementary Section of the Comprehensive Annual Financial Report.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance.

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rollfowards" because the related balances are not available for subsequent appropriation.

In order to properly state the amounts reverted, most restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule, with the exception of unspent appropriations related to unreleased prior year Medicaid overexpenditure restrictions.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2017

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 3,105,200	$ 3,081,800	$ 3,085,580		
Other Excise Taxes	99,300	103,900	102,784		
Individual Income Tax, net	6,385,900	6,298,300	6,208,992		
Corporate Income Tax, net	633,000	493,900	467,411		
Estate Tax	-	-	(32)		
Insurance Tax	299,000	286,900	290,503		
Parimutuel, Courts, and Other	27,300	33,800	40,144		
Investment Income	12,800	13,500	14,749		
Gaming	-	-	15,231		
TOTAL GENERAL PURPOSE REVENUES	10,562,500	10,312,100	10,225,362		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,753	10,753	10,688	$ 65	$ 8
Corrections	759,196	752,413	750,544	1,869	15,637
Education	3,764,627	3,764,789	3,764,202	587	580
Governor	35,996	40,099	39,719	380	2,431
Health Care Policy and Financing	2,654,392	2,627,096	2,533,729	93,367	434
Higher Education	871,458	870,855	870,677	178	78
Human Services	833,878	830,521	824,394	6,127	3,745
Judicial Branch	486,329	491,398	487,795	3,603	25
Labor and Employment	20,786	21,603	21,514	89	501
Law	15,139	15,191	14,795	396	15
Legislative Branch	44,789	44,772	44,772	-	440
Local Affairs	26,015	25,386	25,189	197	991
Military and Veterans Affairs	8,306	8,442	8,219	223	63
Natural Resources	28,743	28,743	28,543	200	15
Personnel & Administration	13,146	12,423	12,172	251	7
Public Health and Environment	47,630	48,630	48,603	27	2
Public Safety	123,111	122,681	122,232	449	966
Regulatory Agencies	5,919	5,919	5,779	140	10
Revenue	192,758	293,310	287,979	5,331	133
State	-	-	-	-	56
Transportation	-	392	392	-	-
Treasury	161,222	154,522	152,294	2,228	11,543
TOTAL ACTUAL BUDGET AND EXPENDITURES	10,104,193	10,169,938	10,054,231	$ 115,707	$ 37,680
Variance Between Actual and Estimated Budgets	3,307	(54,091)	-		
TOTAL ESTIMATED BUDGET	10,107,500	10,115,847	10,054,231		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	455,000	196,253	171,131		
EXCESS AUGMENTING REVENUES			37,680		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	46,100	45,000	28,746		
Transfers-Out To Various Cash Funds	(137,500)	(172,400)	(32,031)		
Transfer-Out to Capital Projects - General Fund	(84,000)	(84,000)	(31,284)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to Highway Users Fund	(158,000)	(79,000)	(131,700)		
Transfers-Out to State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(359,200)	(316,200)	(192,090)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	95,800	(119,947)	16,721		
BEGINNING GENERAL FUND SURPLUS	-	48,847	48,847		
Release of Prior Year Statutory Reserve (5.6%)	528,600	512,700	465,994		
Establish Current Year Statutory Reserve (6.0%)	(634,900)	(584,300)	(584,310)		
Release of Contractually Restricted Energy Performance Leases			332		
Contractually Restricted Energy Performance Leases			(222)		
GAAP Revenues/(Expenditures) Not Budgeted			78,287		
Release of Assigned Prior Year State Controller Approved Rollfowards			19,283		
State Controller Approved Rollfowards			(16,270)		
ENDING GENERAL FUND SURPLUS	$ (10,500)	$ (142,700)	28,662		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2016-17 for Budget			(186,302)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2016-17 for Budget			(98,487)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2016-17 for Budget			(615)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			120,737		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			(4,898)		
NonSpendable			47,685		
Restricted			-		
Committed			444,037		
Assigned			16,270		
Unassigned			-		
Shortfall in GAAP Basis Statutory Reserve			140,903		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 507,992		

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

With the implementation of a new financial system, Colorado Operations Resource Engine (CORE), in Fiscal Year 2014-15, the budget schedules are now 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.

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

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.

- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.

- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.

- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.

- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

- 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. In Fiscal Year 2016-17, the Department of Transportation capitalized project expenditures of $532.8 million from all funding sources.

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

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act 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 explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 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 statements. 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 statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments."

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

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

NOTE RSI-2 – THE STATE'S DEFINED BENEFIT PENSION PLAN

A. PROPORTIONATE SHARE OF PENSION LIBILITY AND CONTRIBUTIONS

Proportionate Share:

The State's defined benefit pension plan is administered by the Public Employees' Retirement Association (PERA). The plan is a cost-sharing multiple-employer plan. The schedule below presents the State's (primary government's) proportionate share of the net pension liability for its retirement plan. The amounts presented for each Division for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Significant changes in assumptions are discussed in Note 6. Additionally, information is not available prior to Fiscal Year 2014.

(Amounts In Thousands)

	2017		2016		2015		2014	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.49%	94.17%	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$ 17,539,728	$ 239,423	$ 10,079,252	$ 172,828	$ 9,015,773	$ 129,500	$ 8,539,181	$ 102,756
State's covered payroll	$ 2,982,023	$ 49,064	$ 3,322,863	$ 52,353	$ 2,765,684	$ 53,488	$ 2,503,941	$ 39,185
State's proportionate share of the net pension liability (assets) as a percentage of its covered payroll	588.18%	487.98%	303.33%	330.12%	325.99%	242.11%	344.79%	218.83%
Plan fiduciary net position as a percentage of the total pension liability	42.59%	53.19%	56.11%	60.17%	59.84%	66.88%	61.08%	71.26%

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:

State & Judicial Division
(Amounts In Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$ 565,618	$ 601,570	$ 474,189	$ 406,214	$ 368,468	$ 276,326	$ 256,682	$ 291,892	$ 277,229	$ 239,851
Contributions in relation to the contractually required contributions	(565,618)	(601,570)	(474,189)	(406,214)	(368,468)	(276,326)	(256,682)	(291,892)	(277,229)	(239,851)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	3,031,087	3,375,216	2,819,172	2,543,126	2,443,280	2,565,629	2,382,439	2,755,082	2,622,579	2,267,965
Contributions as a percentage of covered payroll	18.66%	17.82%	16.82%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

State Division
(Amounts In Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$ 557,601	593,015	$ 466,883	$ 399,955	$ 362,791	$ 272,068	$ 252,727	$ 287,394	$ 272,957	$ 236,155
Contributions in relation to the contractually required contributions	(557,601)	(593,015)	(466,883)	(399,955)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)	(236,155)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	2,982,023	3,322,863	2,765,684	2,503,941	2,405,633	2,526,097	2,345,730	2,712,631	2,582,169	2,233,019
Contributions as a percentage of covered payroll	18.70%	17.85%	16.88%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

Judicial Division
(Amounts In Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$ 8,017	$ 8,555	$ 7,306	$ 6,259	$ 5,677	$ 4,258	$ 3,955	$ 4,498	$ 4,272	$ 3,696
Contributions in relation to the contractually required contributions	(8,017)	(8,555)	(7,306)	(6,259)	(5,677)	(4,258)	(3,955)	(4,498)	(4,272)	(3,696)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	49,064	52,353	53,488	39,185	37,647	39,532	36,709	42,451	40,410	34,946
Contributions as a percentage of covered payroll	16.34%	16.34%	13.66%	15.97%	15.08%	10.77%	10.77%	10.60%	10.57%	10.58%

NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No. 43, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other postemployment benefit plans. Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 7 for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2016-17	7/1/2016	$ -	$625,035,000	$625,035,000	0.0%	$1,336,248,000	46.8%
2015-16	7/1/2015	$ -	$523,409,000	$523,409,000	0.0%	$1,336,248,000	39.2%
2014-15	7/1/2014	$ -	$523,409,000	$523,409,000	0.0%	$1,336,248,000	39.2%
Restated 2013-14	7/1/2012	$ -	$406,782,000	$406,782,000	0.0%	$1,253,260,000	32.5%
Colorado State University:							
RMPR							
2016-17	1/1/2017	$45,366,823	$ 34,490,851	$ (10,875,972)	131.5%	$ 344,324,853	-3.2%
2015-16	1/1/2016	$40,739,061	$ 39,842,947	$ (896,114)	102.2%	$ 325,054,595	-0.3%
2014-15	1/1/2015	$36,988,354	$ 36,252,781	$ (735,573)	102.0%	$ 305,287,641	-0.2%
RMPS							
2016-17	1/1/2017	$22,553,769	$ 44,708,454	$ 22,154,685	50.4%	N/A	N/A
2015-16	1/1/2016	$22,275,345	$ 45,646,475	$ 23,371,130	48.8%	N/A	N/A
2014-15	1/1/2015	$21,554,455	$ 51,483,575	$ 29,929,120	41.9%	N/A	N/A
URX							
2016-17	1/1/2017	$ 738,379	$ 3,470,163	$ 2,731,784	21.3%	N/A	N/A
2015-16	1/1/2016	$ 594,366	$ 2,285,901	$ 1,691,535	26.0%	N/A	N/A
2014-15	1/1/2015	$ 581,396	$ 2,749,825	$ 2,168,429	21.1%	N/A	N/A
LTD							
2016-17	1/1/2017	$ 8,861,555	$ 10,189,951	$ 1,328,396	87.0%	N/A	N/A
2015-16	1/1/2016	$ 7,926,531	$ 12,071,325	$ 4,144,794	65.7%	N/A	N/A
2014-15	1/1/2015	$ 7,506,099	$ 12,016,221	$ 4,510,122	62.5%	N/A	N/A

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

Colorado State University's Statements of Net Positions and Statements of Changes in Plan Net Position, and Schedule of Employer Contributions are presented below:

Colorado State University
Post Employment Benefit Plan Statements
As of and for the Period Ended June 30, 2017

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 885,943	$ 317,865	$ 125,572	$ 204,134
Employee Receivables	-	-	1,848	-
Interest and Dividend Receivables	7,058	2,532	1,001	1,626
U.S. Government Securities Investments	9,109,930	4,836,039	128,532	1,774,091
Corporate Bonds Investments	6,275,209	3,331,218	88,537	1,222,050
Other Investments	29,088,683	15,066,115	392,889	5,659,654
Liabilities:				
Accrued Payables	3,862	1,379	639	3,151
Benefits Payable	-	-	1,037	142,516
Total Net Position	$ 45,362,961	$ 23,552,390	$ 736,703	$ 8,715,888
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	$ 4,070,000	$ 1,981,495	$ 240,325	-
Contributions from Members	-	-	23,321	1,477,660
Net Investment Income from Increase in Fair Value of Investments	1,199,026	632,196	16,725	233,397
Net Investment Income from Interest and Dividends	330,983	174,442	5,563	64,723
Net Investment Income from Investment Expense	(52,747)	(25,651)	(1,167)	(10,342)
Deductions:				
Benefits & Refunds Paid to Members & Beneficiaries	847,731	1,443,805	$ 58,422	$ 880,850
Administrative Expense	75,291	41,446	84,003	95,165
Change in Net Position	$ 4,624,240	$ 1,277,231	$ 142,342	$ 789,423
Net Position - Fiscal Year Beginning	40,738,721	22,275,159	594,361	7,926,465
Net Position - Fiscal Year Ending	$ 45,362,961	$ 23,552,390	$ 736,703	$ 8,715,888
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contribution	$ 1,296,365	$ 1,981,495	$ 240,325	$ 1,372,886
Percent Contributed	314.0%	100.0%	100.0%	107.6%

COLORADO

Office of the State Controller

Department of Personnel
& Administration

APPENDIX B
Forms of Master Indenture, 2017J Supplemental Indenture,
2017K Supplemental Indenture, 2017J Lease, 2017K Lease, 2017J Site Lease and 2017J Sublease

(THIS PAGE INTENTIONALLY LEFT BLANK)

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE
by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation

Dated as of August 12, 2009

TABLE OF CONTENTS

ARTICLE V
INVESTMENTS

ARTICLE VI
CONCERNING THE TRUSTEE

ARTICLE VII
DEFAULTS AND REMEDIES

ARTICLE VIII
SUPPLEMENTAL INDENTURES

ARTICLE IX
MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Master Trust Indenture (this "Master Indenture") is dated as of August 12, 2009, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the "Trustee"). ***Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached hereto, as such Glossary is amended, supplemented and restated from time to time***.

RECITALS

This Master Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance Projects. The Certificates evidence undivided interests in the right to receive Lease Revenues. The Certificates will be executed and delivered in Series and Supplemental Indentures will be executed and delivered to provide additional terms applicable to each Series of Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners and the State as follows:

ARTICLE I

SECURITY FOR CERTIFICATES

Section 1.01. Trust Estate. The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered this Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth herein all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents:

(a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of each Lease including, but not limited to, the terms of such Lease permitting the existence of Permitted Encumbrances;

(b) all rights, title and interest of the Trustee in, to and under each Lease (other than the Trustee's rights to payment of its fees and expenses under such Lease and the rights of third parties to Additional Rent payable to them under such Lease);

(c) all Base Rent payable pursuant to each Lease;

(d) all Federal Direct Payments with respect to the interest component of Base Rentals paid to the Trustee pursuant to any Lease;

(e) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price);

(f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and

(g) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms hereof.

The Subleases, the Matching Money Bonds and moneys paid by the Sublessees pursuant to the Subleases and the Matching Money Bonds are not included in the Trust Estate.

Section 1.02. Discharge of Indenture. If this Master Indenture is discharged in accordance with Section 9.01 hereof, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise this Master Indenture is to be and remain in full force and effect.

Section 1.03. Certificates Secured on a Parity Unless Otherwise Provided. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

Section 1.04. Limited Obligations.

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

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

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

Section 1.05. Certificates Constitute a Contract. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

Section 2.01. Authorization, Name and Amount. No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Building Excellent Schools Today Certificates of Participation, followed by the Tax Treatment Designation of such Series (omitting the word "Certificates"), a year and letter that corresponds to the year and letter in the name of the Lease that is entered into in connection with the issuance of such Series of Certificates and, if more than one Series of Certificates are issued at the same time, a dash and a number to distinguish such Series of Certificates from the other Series of

Certificates issued at the same time. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

Section 2.02. Purpose, Payment, Authorized Denominations and Numbering.

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

Section 2.03. Form of Certificates. The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with this Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

Section 2.04. Execution and Authentication of Certificates. The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered hereunder. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Section 2.06. Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates.

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

(f) Notwithstanding any other provision hereof, except as otherwise provided in a Supplemental Indenture with respect to one or more Series of Certificates, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Section 2.07. Cancellation of Certificates. Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

Section 2.08. Negotiability. Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

Section 2.09. Conditions to Execution and Delivery of Certificates. No Series of Certificates may be executed and delivered unless each of the following conditions has been satisfied:

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

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

(c) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by Section 9.01 hereof.

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

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

(f) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Sublessee, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the amount to be deposited into the defeasance escrow account established pursuant to Section 9.01 hereof.

(g) The Trustee has received a written opinion of Bond Counsel to the effect that (i) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act and the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event, and (ii) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform or cause any violation of the covenants set forth in the Indenture.

Section 2.10. Execution and Delivery of Supplemental Indenture, Site Lease, Lease, Amendment to Site Lease, Lease or Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds. If the conditions set forth in Section 2.09 hereof have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Site Lease, any Lease, any amendment to any existing Site Lease, Lease or any defeasance escrow agreement provided to it pursuant to Section 2.09 hereof in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

Section 2.11. Principal Strips, Interest Strips and Tax Credit Strips. If and as provided in a Supplemental Indenture, (a) Principal Strips and Interest Strips, (b) Principal Strips and Tax Credit Strips or (c) Principal Strips, Interest Strips and Tax Credit Strips may be authorized, executed, authenticated and delivered in lieu of or to replace any Certificate. If Principal Strips and Interest Strips and/or Tax Credit Strips are authorized, executed, authenticated and delivered in lieu of or to replace a Certificate, (i) the rights of the Owners of such Certificate shall be allocated among the owners of the Principal Strips and Interest Strips and/or Tax Credit Strips as provided in such Supplemental Indenture and (ii) all references to such Certificate in the Indenture, the Leases, the Subleases, the Site Leases and all related documents shall, except as otherwise provided in such Supplemental Indenture, be deemed to refer to the owners of the Principal Strip and Interest Strip and/or the Tax Credit Strip authorized, executed, authenticated and delivered in lieu of or to replace such Certificate, collectively.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Certificate Fund.

(a) ***Creation of Certificate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation Certificate Fund (the "Certificate Fund") and, within such fund, the Interest Account; the Principal Account; the Purchase Option Account; and a separate Sinking Fund Account for each Series of Qualified School Construction Certificates, the names of each of which Sinking Fund Accounts shall include the same Series designation as the related Series of Qualified School Construction Certificates.

(b) ***Deposits into Accounts of Certificate Fund***.

(i) *Deposits into Interest Account*. There shall be deposited into the Interest Account: (A) accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (B) that portion of each payment of Base Rent by the State which is designated and paid as the interest component of Base Rent under a Lease; (C) any Federal Direct Payment received with respect to the interest component of Base Rent payable by the State under any Lease; (D) any moneys transferred to the Interest Account from the State Expense Fund pursuant to Section 3.03(c) hereof; (E) any moneys transferred to the Interest Account from the Rebate Fund pursuant to Section 3.04(d) hereof; and (F) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account.

(ii) *Deposits into Principal Account*. There shall be deposited into the Principal Account: (A) that portion of each payment of Base Rent by the State which is designated and paid as the Amortizing Principal component of Base Rent under a Lease; (B) any moneys transferred to the Principal Account from a Sinking Fund Account pursuant to paragraph (iv) of subsection (c) of this Section; (C) any moneys transferred to the Principal Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (D) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account.

(iii) *Deposits into Purchase Option Account*. There shall be deposited into the Purchase Option Account: (A) the State's Purchase Option Price; (B) any money transferred to the Purchase Option Account from the State Expense Fund pursuant to Section 3.02(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Purchase Option Account.

(iv) *Deposits into Sinking Fund Accounts*. There shall be deposited into each Sinking Fund Account (A) that portion of each payment of Base Rent by the State which is designated and paid as the Sinking Fund Principal component of Base Rent under the Lease with the same Series designation as such Sinking Fund Account; (B) any moneys transferred to such Sinking Fund Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into such Sinking Fund Account.

(c) ***Use of Moneys in Accounts of Certificate Fund***.

(i) *Use of Moneys in Interest Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Interest Account shall be used solely for the payment of interest on the Certificates, except that:

(A) interest on Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the first interest due on such Series of Certificates;

(C) any moneys other than those described in clause (B) above that are transferred to the Interest Account with specific instructions as to their use shall be used solely in accordance with such instructions;

(D) any moneys remaining in the Interest Account after all the interest payable from the Interest Account on all Certificates has been paid shall be transferred to the Principal Account; and

(E) notwithstanding the foregoing, all moneys in the Interest Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(ii) *Use of Moneys in Principal Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Principal Account shall be used solely for the payment of principal of the Certificates, except that:

(A) principal of Qualified School Construction Certificates of any Series shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

(B) principal of Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(C) except as otherwise provided in clause (A) or (B) above, any moneys that are transferred to the Principal Account with specific instructions as to their use shall be used solely in accordance with such instructions; and

(D) notwithstanding the foregoing, all moneys in the Principal Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) shall be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iii) *Use of Moneys in Purchase Option Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Purchase Option Account shall be used solely for the payment of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under one or more Leases to purchase a part or all of the Leased Property, except that:

(A) the State's Purchase Option Price paid with respect to a portion (but not all) of the Leased Property subject to a Lease shall be used only to pay the redemption price of Certificates with the same Series designation as such Lease;

(B) the portion of the redemption price of Qualified School Construction Certificates of any Series representing Funded Principal shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates; and

(C) notwithstanding the foregoing, all moneys in the Purchase Option Account shall be used (I) in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iv) *Use of Moneys in Sinking Fund Accounts*. Except as otherwise specifically provided below in this paragraph, moneys in each Sinking Fund Account shall be used solely for the payment of the principal of and the principal portion of the redemption price of Qualified School Construction Fund Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding the foregoing, (A) moneys remaining in a Sinking Fund Account after payment of the principal of and the principal portion of the redemption price of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account shall be transferred to the Principal Account; and (B) all moneys in the Sinking Fund Accounts shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.02. Capital Construction Fund.

(a) ***Creation of Capital Construction Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed for each Sublessee with proceeds of each Series of Certificates. The names of the Project Accounts for the Projects to be financed with proceeds of each Series of Certificates shall include the Series designation of such Series of Certificates and the name of the Sublessee for which the Project is being financed. The Trustee may establish such additional accounts within the Capital Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) ***Deposits into Accounts of Capital Construction Fund***.

(i) *Proceeds of Certificates*. Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates. When the State designates the amount of proceeds from the sale of a Series of Certificates to be deposited into a Project Account, it shall also designate the Allocated Investment Earnings, if any, for such Project Account.

(ii) *Earnings from Investment of Project Accounts*. Earnings from the investment of moneys in all the Project Accounts when received shall be aggregated and allocated among the Project Accounts in proportion to the ratio of (A) the Allocated Investment Earnings for each Project Account that have not previously been deposited into such Project Account pursuant to this paragraph to (B) the Allocated Investment Earnings for all Project Accounts that have not previously been deposited into the Project Accounts pursuant to this paragraph. The amount of investment earnings so allocated to a Project Account shall be deposited into such Project Account until the amount so deposited equals the Allocated Investment Earnings for such Project Account. After the amount of investment earnings allocated to a Project Account exceeds the Allocated Investment Earnings for such Project Account, the excess shall be deposited into the State Expense Fund, except that any such investment earnings resulting from the investment of proceeds of any Series of Qualified School Construction Certificates, at the direction of the State, (I) shall be transferred to another Project Account or the Assistance Fund and, subject to terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, shall be used to pay the costs of a capital construction project as defined in the Act; or (II) shall be used in any other manner directed by the State upon receipt of an opinion of Bond Counsel that such transfer or use will not cause an Adverse Tax Event.

(iii) *Other Deposits to Accounts*. There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(iv) *Transfers Between Project Accounts at Direction of State*. Notwithstanding any other provision hereof, the State may, at any time but subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of the Series of Certificates from the Project Account from which the moneys are transferred, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account or to the Assistance Fund to pay the costs of a capital construction project as defined in the Act if the State determines that (A) the sum of the money remaining in, and money expected to be deposited in the future into, the Project Account from which the transfer is made will be sufficient to pay the unpaid Costs of the Project for the Project for which such Project Account was established or (B) no further Costs of the Project will be funded from the Project Account from which the transfer is made.

(c) ***Use of Moneys in Costs of Issuance Account***. Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the State Expense Fund or one or more Project Accounts as directed by the State. Notwithstanding the foregoing, moneys in the Costs of Issuance Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

(d) ***Use of Moneys in Project Accounts***.

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative.

(ii) Upon the receipt by the Trustee of the Completion Certificate for the Project, the remaining moneys held in such Project Account shall be transferred by the Trustee to the State Expense Fund.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction

Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in any Project Account that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in all Project Accounts shall be (I) used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

Section 3.03. State Expense Fund.

(a) ***Creation of State Expense Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation State Expense Fund (the "State Expense Fund").

(b) ***Deposits into State Expense Fund***. There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates, proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) earnings from the investment of moneys in the Project Accounts allocated to such Project Account pursuant to Section 3.02(b)(ii) hereof, to the extent the earnings so allocated exceed the Allocated Investment Earnings for such Project Account; (iii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital Construction Fund pursuant to Section 3.02(c) hereof; (iv) any moneys transferred to the State Expense Fund from a Project Account pursuant to Section 3.02(d)(ii) hereof; and (v) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) ***Use of Moneys in State Expense Fund***.

(i) Moneys held in the State Expense Fund that are not Available Project Proceeds of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied by the Trustee as directed in writing by the State to: (A) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (B) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund; and (D) pay the

Costs of any Project or the costs of any capital construction project as defined in the Act.

(ii) Moneys held in the State Expense Fund that are Available Project Proceeds of any Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied as directed in writing by the State, subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, to pay the Costs of any Project or the costs of a capital construction project as defined in the Act.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (including earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in the State Expense Fund that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in the State Expense Fund shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.04. Rebate Fund.

(a) ***Creation of Rebate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund Rebate Fund (the “Rebate Fund”). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits into Rebate Fund***. There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) hereof; (ii) all amounts paid by the State pursuant to subsection (e) of this Section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund***. Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State has reserved the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund***. The State, in the Leases, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause an Adverse Tax Event. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State***. The State has agreed in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

Section 3.05. Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

Section 3.06. Moneys to be Held in Trust. The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 hereof and the accounts and subaccounts thereof, any other fund or account created hereunder shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Section 3.07. Repayment to the State from Trustee. After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee hereunder shall be paid to the State.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption Provisions Set Forth in Supplemental Indentures. The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

Section 4.02. Notice of Redemption.

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 4.03. Redemption Payments.

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

Section 4.04. Cancellation. All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

Section 4.05. Delivery of New Certificates Upon Partial Redemption of Certificates. Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

ARTICLE V

INVESTMENTS

Section 5.01. Investment of Moneys.

(a) All moneys held as part of any fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder.

(b) Except as otherwise provided below or by Article III hereof, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence:

(i) Earnings from investments of moneys held in the Project Accounts shall be deposited as provided in Section 3.02(b)(ii) hereof.

(ii) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(iii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose hereunder, investments shall be valued at their Fair Market Value.

Section 5.02. Tax Certification. The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will be a violation of Section 6.04 hereof.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Certifications, Representations and Agreements. The Trustee certifies, represents and agrees that:

(a) The Trustee (i) is a commercial bank and a national banking association that is duly organized, validly existing and in good standing under the laws of the United States, (ii) is duly qualified to do business in the State, (iii) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Leases, to lease the Leased Property to the State pursuant to the Leases and to execute, deliver and perform its obligations under the Lease, the Indenture and the Site Leases.

(b) The execution, delivery and performance of the Leases, the Indenture and the Site Leases and the ownership of the Leased Property by the Trustee have been duly authorized by the Trustee.

(c) The Leases, the Indenture and the Site Leases have been duly executed and delivered by the Trustee and are valid and binding obligations enforceable against the Trustee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the Leases, the Indenture the Site Leases and the ownership of the Leased Property by the Trustee does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Trustee, or, except as specifically provided in the Leases, the Indenture, the Subleases or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Leases, the Indenture, the Subleases or the Site Leases or to own the Leased Property.

(f) The Trustee acknowledges and recognizes that the Leases will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the Colorado General Assembly to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Colorado General Assembly.

Section 6.02. Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care as a reasonable and prudent person would exercise under the circumstances in the conduct of the affairs of another. Notwithstanding the foregoing, the Trustee shall in all events be liable for damages and injury resulting from its negligence or willful misconduct.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same retained in accordance with the standard of care set forth in subsection (a) of this Section, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein, in this Master Indenture or any Certificate, Supplemental Indenture, Lease, Sublease, Matching Money Bond or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for actions that are in accordance with the standard of care set forth in subsection (a) of this Section.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision hereof, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(m) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee hereunder shall be retained by the Trustee until six years after the later of the final payment of the related Series of Certificates.

(n) The Trustee shall deliver written reports to the State within 15 days after the end of each calendar month that include at least the following information: (i) the balance in each fund, account and subaccount created hereunder as of the first day and the last day of such calendar month; (ii) all moneys received by the Trustee during such calendar month, broken down by source, including but not limited to Base Rent, Federal Direct Payments and earnings from the investment moneys held as part of any fund, account or subaccount created hereunder, and by the fund, account or subaccount into which such moneys are deposited; (iii) all disbursements from each fund, account and subaccount created hereunder during such calendar month; and (iv) all transfers to and from each fund, account and subaccount created hereunder during such calendar month.

(o) The Trustee shall notify the State within 10 days after any claim by any Owner or any other Person that any certification, representation or agreement of the Trustee set forth in Section 6.01 hereof is not accurate or complete or that the Trustee has failed to perform any of its duties or obligations under or has failed to comply with any provision of the Indenture, any Lease or any Site Lease.

(p) The Trustee shall provide to any Sublessee at its request an accounting of all receipts and disbursements from such Sublessee's Project Account.

Section 6.03. Maintenance of Existence; Performance of Obligations.

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases or the Site Leases and any other instrument or other arrangement to which it is a party.

Section 6.04. Tax Covenant. The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property that would result in an Adverse Tax Event or Adverse Federal Direct Payment Event. In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

Section 6.05. Sale or Encumbrance of Leased Property. As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

Section 6.06. Rights of Trustee under Leases and Site Leases. The Trustee hereby covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases and the Site Leases. Wherever in any Lease or Site Lease it is stated that the Trustee shall be notified or wherever any Lease or Site Lease gives the Trustee some right or privilege, such part of such Lease or Site Lease shall be as if it were set forth in full in this Master Indenture.

Section 6.07. Defense of Trust Estate. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.08. Compensation of Trustee. During the Lease Term for each Lease, the Trustee shall be entitled to compensation in the form of Additional Rent in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee hereunder.

Section 6.09. Resignation or Replacement of Trustee.

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than $50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder, lessor under the Leases and lessee under the Site Leases, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases and the Site Leases, with like effect as if originally named as Trustee herein and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder, as lessor under the Leases and as lessee under the Site Leases and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases and the Site Leases in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease and/or the Site Leases shall have been filed and/or recorded.

Section 6.10. Conversion, Consolidation or Merger of Trustee. Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Section 6.11. Intervention by Trustee. In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding and provided indemnification in accordance with Section 6.02(k) hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation. Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, subject to the terms of the Subleases granting each Sublessee the option to purchase the Leased Property subject to its Sublease:

(a) the Trustee shall use moneys in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund and any defeasance escrow account) in accordance with Section 7.15(b) hereof;

(b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a similar event under a similar instrument; and

(c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

Section 7.02. Remedies of Trustee Upon Material Breach by Sublessee of Site Lease. Upon a material breach by the Site Lessor of a Site Lease, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a breach of a similar instrument).

Section 7.03. Failure to Perform by Trustee. Any of the following shall constitute a Failure to Perform:

(a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 hereof; and

(c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance (subject to any right to indemnification applicable to the Trustee's compliance with such provision of the Indenture).

Section 7.04. Remedies of Owners Upon a Failure to Perform. Subject to the other provisions of this Article, upon the occurrence of any Failure to Perform, the Owner of any Certificate may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) subject to Section 6.09 hereof, cause the Trustee to be removed and replaced by a successor trustee; and

(c) subject to Section 7.05 hereof, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

Section 7.05. Limitations Upon Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Leases or the Site Leases unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues enforcing remedies under similar instruments; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

Section 7.06. Majority of Owners May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceeding relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Section 7.08. Trustee May Enforce Remedies Without Certificates. The Trustee may enforce its rights and remedies under the Leases, the Site Leases and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

Section 7.09. No Remedy Exclusive. No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10. Waivers. The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Owners and the State shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or impair any right consequent thereon.

Section 7.11. Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 7.12. No Waiver of Default or Breach to Affect Another. No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to

Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform or shall impair any rights or remedies consequent thereon.

Section 7.13. Position of Parties Restored Upon Discontinuance of Proceedings. In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

Section 7.14. Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price. Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the Sublessees' purchase options set forth in the Subleases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and this Indenture and the taking of all other courses of action permitted herein or therein.

Section 7.15. Use of Moneys Received from Exercise of Remedies.

(a) Moneys received from the exercise of remedies pursuant to this Article shall be used as follows:

(i) Moneys in the Certificate Fund shall be used, first, to make payments to the Owners of the Certificates pursuant to subsection (b) of this Section.

(ii) Moneys in each Project Account shall be used, first, to pay Costs of the Project payable from such Project Account if and to the extent the Trustee determines that it is in the best interests of the Owners to do so.

(iii) Moneys in the State Expense Fund shall be used, first, to pay costs and expenses described in Section 3.03(c)(i)(A) hereof.

(iv) Moneys in the Certificate Fund, the Project Accounts and the State Expense Fund that are not used pursuant to paragraphs (i), (ii) or (ii) above, moneys in the Costs of Issuance Account of the Capital Construction Fund and all other moneys received from the exercise of remedies pursuant to this Article shall be used in the following order of priority:

(A) *First*, to pay Additional Rent due to third parties other than the Trustee and the State;

(B) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.05 of the 2009A Lease and similar provisions of other Leases;

(C) *Third*, to make payments to the Owners in accordance with subsection (b) of this Section; and

(D) *Fourth*, the remainder shall be paid to the State.

(b) Moneys that are available to make payments to the Owners pursuant to subsection (a) of this Section shall be used as follows:

(i) Moneys in each Sinking Fund Account shall be used to pay the unpaid principal of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. If the amount in a Sinking Fund Account is not sufficient to pay all principal due on the School Construction Certificates with the same Series designation as such Sinking Fund Account, the amount available shall be used to pay unpaid principal of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in the order in which such principal was originally due, with unpaid principal due on the earliest principal payment dates paid first. If the amount available in a Sinking Fund Account is not sufficient to pay all unpaid principal due on the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account on a particular principal payment date, the amount available shall be used to pay principal of the Owners of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in proportion to the amount of unpaid principal due to such Owners on such principal payment date. For purposes of this paragraph, the principal component of the redemption price of Qualified School Construction Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(ii) All other moneys available to make payments to the Owners shall be applied in the following order of priority:

(A) *First*, to pay the unpaid interest, plus interest on past due interest, on the Certificates. If the amount available is not sufficient to pay all such interest, the amount available shall be used to pay interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be used to pay interest (including interest on past due interest) to the Owners in proportion to the amount that would have been paid to them if the amount available had been sufficient.

(B) *Second*, to pay the unpaid principal of the Certificates. If the amount available is not sufficient to pay all such principal, the amount available shall be used to pay unpaid principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all unpaid principal due on a particular principal payment date, the amount available shall be used to pay unpaid principal to the Owners in proportion to the amount of principal that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(C) *Third*, to pay an amount equal to the premium, if any, that would have been paid to Owners as a result of the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection. If the amount available is not sufficient to pay all such amounts, the amount available shall be paid to the Owners to which a premium would have been paid in proportion to the amount of premium that would have been paid to them if the amount available had been sufficient.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures Not Requiring Consent of Owners. The Trustee may, with the written consent of the State but without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to amend, modify or restate the Glossary attached hereto in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases;

(b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee;

(c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable;

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases;

(e) to subject to the Indenture additional revenues, properties or collateral;

(f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates or Principal Strips, Interest Strips or Tax Credit Strips pursuant to Article II hereof;

(g) to facilitate the Stripping of Certificates;

(h) to effect or facilitate any change to avoid an Adverse Tax Event or Adverse Federal Direct Payment Event, including, but not limited to, a change to conform to any guidance or regulations promulgated by the United States Internal Revenue Service or the United States Treasury Department that relate to the treatment for federal income tax purposes of any Outstanding or proposed Certificates;

(i) to effect any other change that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners; or

(j) to modify any Certificate to conform to any Supplemental Indenture or to any amendment to the Master Indenture, any Supplemental Indenture, any Lease or any Site Lease.

Section 8.02. Supplemental Indentures Requiring Consent of Owners.

(a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the State and the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing herein contained shall permit, or be construed as permitting:

(i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate;

(ii) the deprivation as to the Owner of any Certificate Outstanding of the lien created by the Indenture (other than as originally permitted hereby);

(iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or

(iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 8.03. Execution of Supplemental Indenture. Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Act and will not cause an Adverse Tax Event.

Section 8.04. Amendments of Leases or Site Leases Not Requiring Consent of Owners. The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease or Site Lease, as the State determines is required:

(a) by the provisions of the Leases, the Indenture or the Site Leases;

(b) for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture or the Site Leases;

(c) in order more precisely to identify the Leased Property; or

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases or the Site Leases;

(e) in connection with the execution and delivery of any Series of Certificates;

(f) in connection with the redemption of any Certificates;

(g) in connection with any Supplemental Indenture permitted by this Article;

(h) to effect any change in any Lease or Site Lease for any purpose for which a Supplemental Indenture may be executed and delivered pursuant to Section 8.01 hereof;

(i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not cause an Adverse Tax Event;

(j) to effect any change to any Project permitted by the Act;

(k) to effect any other change in any Lease or Site Lease that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners.

Section 8.05. Amendments of Leases or Site Leases Requiring Consent of Owners. Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of any Lease or Site Lease without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 hereof. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease or Site Lease, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

Section 8.06. Execution of Amendment of Lease or Site Lease. As a condition to executing any amendment to any Lease or Site Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease or Site Lease, as applicable, and will not cause an Adverse Tax Event.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Discharge of Indenture.

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer of such Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this Section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not cause an Adverse Tax Event.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

Section 9.02. Further Assurances and Corrective Instruments. So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be requested by the State for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

Section 9.03. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under the Indenture, except those resulting from a violation of the standard of care set forth in Section 6.02(a) hereof.

Section 9.04. Evidence of Signature of Owners and Ownership of Certificates.

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Section 9.05. Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

Section 9.06. Trustee Representative. Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

Section 9.07. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.08. Interpretation and Construction. This Master Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Master Indenture. For purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Master Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Master Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 9.09. Manner of Giving Notices. All notices, certificates or other communications under the Indenture shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address:

david.mcdermott@state.co.us; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to any Sublessee, to the notice address set forth in such Sublessee's Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.10. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 9.11. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

Section 9.12. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to the 2009A Lease is set forth in Appendix B to the Series 2009A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2009A Lease, legal descriptions of the land included in such additional Leased Property will be set forth in such Lease and in the Supplemental Indenture with the same Series designation as such Lease. If the land included in the Leased Property subject to a Lease is modified pursuant to the terms of such Lease or other land is substituted for land included in Leased Property subject to any Lease pursuant to the terms of such Lease, the legal descriptions set forth in the applicable Supplemental Indenture will be amended to describe the land included in such Leased Property after such modification or substitution.

Section 9.13. Severability. In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated in the Indenture by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 9.15. Execution in Counterparts. This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Master Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________
Authorized Signatory

[Signature Page to Master Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 11th day of August, 2009, by Stephanie Nicholls, as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

____
Notary Public

My commission expires:

____

APPENDIX A

FORM OF PROJECT ACCOUNT REQUISITION

[omitted for form of Master Indenture appended to Official Statement]

APPENDIX B

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of Master Indenture appended to Official Statement]

APPENDIX C

GLOSSARY

[omitted for form of Master Indenture appended to Official Statement; see Glossary appended to Form of Series 2017J Supplemental Indenture, which amends and restates in its entirety the Glossary to this Master Indenture]

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017J SUPPLEMENTAL TRUST INDENTURE

by

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation
Tax-Exempt Series 2017J

Dated as of December 7, 2017

TABLE OF CONTENTS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017J SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture (this "Series 2017J Supplemental Indenture") is dated as of December 7, 2017, 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 to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as such Glossary is amended, supplemented and restated by Appendix D hereto and as it may be further amended, supplemented and restated from time to time***.

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2017J Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2017J Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

ARTICLE I

SERIES 2017J 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 2017J Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2017J.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The Series 2017J Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2017J Certificates shall be $156,305,000.

(c) The Authorized Denominations of the Series 2017J Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2017J Certificates executed and delivered on the date the Series 2017J 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 2017J Certificate executed and delivered upon transfer and exchange of another Series 2017J 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 2017J 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 2017J Certificate shall bear interest from the date the Series 2017J Certificates are first executed and delivered.

(e) Interest on the Series 2017J Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2017J Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

Maturity Date (March 15)	**Principal Amount**	**Interest Rate**
2032	$30,270,000	5.000%
2033	1,435,000	4.000
2034	1,485,000	3.000
2035	1,535,000	4.000
2036	1,590,000	3.125
2037	20,275,000	5.000
2042	40,000,000	4.000
2042	59,715,000	5.250

Section 1.03. Redemption.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2017J 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 2017J 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 2017J 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 2017J Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified

School Construction Certificates that are Sinking Fund Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Series 2017J 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 2017J Certificate and such other Certificate, and no Owner of any such Series 2017J Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2017J 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 2017J 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 2017J Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Mandatory Sinking Fund Redemption***.

(i) The Series 2017J Certificates maturing on March 15, 2042 bearing interest at a per annum interest rate of 4.000% are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2017J Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2017J Certificates maturing on such date and bearing such rate, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	**Principal Amount**
2038	$7,000,000
2039	7,500,000
2040	8,000,000
2041	8,500,000
2042*	9,000,000

* Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the State may (i) deliver to the Trustee for cancellation any Series 2017J Certificates with the same maturity date and interest rate as the Series 2017J Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2017J Certificates with the same maturity date and interest rate as the Series 2017J Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2017J Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2017J Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

(ii) The Series 2017J Certificates maturing on March 15, 2042 bearing interest at a per annum interest rate of 5.250% are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2017J Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all remaining Series 2017J Certificates maturing on such date and bearing such rate, rounded to the nearest Authorized Denomination.

Mandatory Sinking Fund Redemption Date (March 15)	**Principal Amount**
2038	$14,285,000
2039	10,770,000
2040	11,135,000
2041	11,540,000
2042*	11,985,000

* Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory sinking fund redemption date, the State may (i) deliver to the Trustee for cancellation any Series 2017J Certificates with the same maturity date and interest rate as the Series 2017J Certificates subject to such mandatory sinking fund redemption and (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for any Series 2017J Certificates with the same maturity date and interest rate as the Series 2017J Certificates subject to such mandatory sinking fund redemption which prior to such date have been redeemed (otherwise than by mandatory sinking fund redemption) and cancelled and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Series 2017J Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory sinking fund redemption obligation on the mandatory sinking fund redemption dates by lot, and the principal amount of Series 2017J Certificates to be redeemed as part of such mandatory sinking fund redemption on such dates shall be accordingly reduced.

(c) ***Optional Redemption***. The Series 2017J 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 March 15, 2027, at a redemption price equal to the principal amount of the Series 2017J Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Section 1.04. Form of Certificates. The Series 2017J 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 2017J Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE II

SEPARATE ACCOUNTS AND SUBACCOUNTS FOR EACH SERIES OF CERTIFICATES

Section 2.01. Creation of Separate Accounts and Subaccounts. The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to each Series of Certificates, the proceeds of each Series of Certificates and earnings from the investment of moneys in each such account and subaccount. The name of each such account and subaccount shall include the Series designation of the appropriate Series of Certificates. The following are the separate accounts and subaccounts to be created:

(a) if the Costs of a Participating K-12 Institution's Project are to be funded from proceeds of more than one Series of Certificates, a separate Project Account for each such Series of Certificates;

(b) separate accounts of the State Expense Fund and the Rebate Fund;

(c) separate Sinking Fund Accounts for each Series of Qualified School Construction Certificates; and

(d) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

Section 2.02. Separate Project Accounts. Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

Section 2.03. Project Account for Future Projects. Pursuant to Section 3.02(a) of the Master Indenture, there is hereby established a Project Account into which that portion of the proceeds of the Series 2017J Certificates previously expected by the State and the Trustee to be deposited into a Project Account for Swallows Charter Academy shall be deposited, pending withdrawal and transfer thereof pursuant to Section 3.2(b)(iv) of the Master Indenture to one or more Project Accounts for one or more future Projects for one or more Participating K-12 Institutions. Such transfer or transfers shall be made in connection with the execution of a Site Lease and Sublease by each such Participating K-12 Institution in accordance with the Master Indenture and the property subject thereto shall become part of the Leased Property subject to the 2017J Lease or a separate Lease.

ARTICLE III

AMENDMENTS TO INDENTURE

Section 3.01. Amendment of Section 3.01(c)(ii)(A) of the Master Indenture. Section 3.01(c)(ii)(A) of the Master Indenture is amended to read as follows:

(A) principal of Qualified School Construction Certificates that are Sinking Fund Certificates shall be payable solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

Section 3.02. Amendment of Section 3.02(d)(i) of the Master Indenture. Section 3.02(d)(i) of the Master Indenture is amended to read as follows:

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative. If a separate account has been created in the State Expense Fund (A) from which moneys are to be transferred to a Project Account that has been established to pay, or reimburse the Sublessee for, Costs of a Project to the extent moneys in such Project Account are not sufficient to pay, or reimburse the Sublessee for, Costs of such Project and (B) into which future earnings from the investment of moneys in such Project Account and/or other Project Accounts are to be deposited, then, at the written direction of the State, moneys in such Project Account also may be transferred to the Interest Account or the Principal Account of the Certificate Fund in an amount up to the amount of future earnings that are to be deposited into such Project Account.

Section 3.03. Amendment of Section 3.03 of the Master Indenture. Section 3.03 of the Master Indenture is amended by adding the following new subsection (d):

(d) **New Subaccounts of Series 2010F Account of State Expense Fund**. The Trustee shall create three new subaccounts within the Series 2010F Account of the State Expense Fund: the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 Account, the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) and the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1. Notwithstanding any other provision hereof:

(i) Future earnings from the investment of moneys in the Project Accounts funded with the proceeds of the 2010C Certificates, the 2010F Certificates, the 2011G Certificates and any additional Tax-Exempt Certificates shall be deposited into the following subaccounts, on a pro rata basis, until the balances in such subaccounts are equal to the amounts indicated: $482,519.98 into the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26, $32,186.19 into the State Expense Fund Series 2010F Account Subaccount for District No. 1 in the County of Adams (MAPLETON 1) and $381,312.70 into the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1.

(ii) Until the Trustee receives a Completion Certificate for the related Project, moneys in the following subaccounts of the State Expense Fund Series

2010F Account shall be transferred to the following Series 2010F Project Accounts: (A) moneys in the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 shall be transferred to the Series 2010F Project Account of Center Joint Consolidated School District No. 26 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Center Joint Consolidated School District No. 26 for, Costs of its Project; (B) moneys in the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) shall be transferred to the Series 2010F Project Account of School District No. 1 in the County of Adams (MAPLETON 1) to the extent moneys in such Project Account are not sufficient to pay, or reimburse School District No. 1 in the County of Adams (MAPLETON 1) Center Joint for, Costs of its Project; and (C) moneys in the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1 shall be transferred to the Series 2010F Project Account of Akron School District No. R-1 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Akron School District No. R-1 for, Costs of its Project.

(iii) After the Trustee receives a Completion Certificate for the related Project, the remaining moneys in the subaccount of the State Expense Fund Series 2010F Account for the related district shall be transferred to the Series 2010F Account of the State Expense Fund and shall be used to pay the Costs of any Project or the costs of any capital construction project as defined in the Act that qualify as capital expenditures for federal income tax purposes.

Section 3.04. Amended and Restated Form of Project Account Requisition. The form of Project Account Requisition attached as Appendix A to the original Master Indenture, as previously amended, is hereby amended and restated in its entirety in Appendix B hereto.

Section 3.05. Amended and Restated Glossary. In accordance with Section 8.01 of the Master Indenture, the Trustee hereby amends, supplements and restates the Glossary as set forth in Appendix D hereto based on the written direction by the State in the Series 2017J Lease and the written certification by the State in the 2017J Lease that, after such amendment, supplement and restatement the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

Section 3.06. References to Subleases and Sublessees. In order to accommodate the leasing of Leased Property to the Trustee pursuant to a Site Lease by a Participating K-12 Institution's Chartering Authority and the financing of Projects for Participating K-12 Institutions that are not Sublessees pursuant to Participation Agreements, whenever, in the body of the Master Indenture or any appendix to the Master Indenture, except Appendices A and C to the original Master Indenture (which are amended and restated in their entirety pursuant to Section 3.02 and 3.03 hereof):

(a) the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor";

(b) the term "Sublessee" is used to refer to a Project of a Sublessee, the Project Account of a Sublessee, the financing of a Project for a Sublessee, the Costs of a Sublessee's Project or payments by a Sublessee pursuant to a Sublease, such term shall be replaced with "Participating K-12 Institution"; and

(c) the term "Sublease" is used, such term shall be replaced with "Sublease or Participation Agreement," except where the term Sublease is used with respect to the terms of a Sublease granting a Sublessee the option to purchase the Leased Property subject to its Sublease (because a Participating K-12 Institution that is not a Sublessee does not have the option to purchase any Leased Property).

Section 3.07. Manner of Giving Notices. The electronic mail address for notices to the State pursuant to Section 9.09 of the Master Indenture is hereby amended to read: ryan.parsell@state.co.us. The electronic mail address and facsimile number for notices to the Trustee pursuant to Section 9.09 of the Master Indenture are hereby amended to read: denvercorporatetrust@zionsbank.com and 855.547.6178, respectively.

Section 3.08. Separate Project Accounts. Section 2.02 of the Series 2010B-C Supplemental Indenture, Section 3.02 of the Series 2010D-F Supplemental Indenture and Section 2.02 of the Series 2011G Supplemental Indenture are amended to read as follows:

Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

ARTICLE IV

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2017J Supplemental Indenture as if set forth in full herein.

ARTICLE V

MISCELLANEOUS

Section 5.01. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Series 2017J Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 5.02. Interpretation and Construction. This Series 2017J 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 2017J Supplemental Indenture. For purposes of this Series 2017J Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2017J 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 2017J Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2017J Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities and subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 5.03. Legal Description of Land Included in Leased Property.

(a) The legal description of the land included in the Leased Property subject to the 2017J Lease is set forth in Appendix C hereto. If the land included in the Leased Property subject to the 2017J Lease is modified pursuant to the terms of the 2017J Lease or other land is substituted for land included in the Leased Property subject to the 2017J Lease pursuant to the terms of the 2017J Lease, the legal description set forth in Appendix C hereto will be amended to describe the land included in the Leased Property subject to the 2017J Lease after such modification or substitution.

(b) The Leased Property subject to the 2017J Lease described in Appendix C hereto, the Leased Property subject to the 2009A Lease described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, the Leased Property subject to the 2010B-C Lease described in Appendix D to the Series 2010B-C Supplemental Indenture, the Leased Property subject to the 2010D-F Lease described in Appendix E to the Series 2010D-F Supplemental Indenture, the Leased Property subject to the 2012H Lease described in Appendix C to the Series 2012H Supplemental Indenture, the Leased Property subject to the 2013I Lease described in Appendix C to the Series 2013I Supplemental Indenture, the Leased Property subject to the 2015 Lease described in Appendix C to the 2015 Supplemental Indenture and the Leased Property subject to the 2017K Lease described in Appendix B to the Series 2017K Supplemental Indenture (as well as any additional Leased Property subject to any additional Building Excellent Schools Today Lease Purchase Agreement), are part of the Leased Property that is subject to the Indenture. Accordingly, this Section and Appendix

C hereto are amendments to the Master Indenture, the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture and the 2017K Supplemental Indenture and to the legal description of land included in the Leased Property described in Appendix B to the Master Indenture, Appendix B to the Series 2009A Supplemental Indenture, Exhibit D to the Series 2010B C Supplemental Indenture, Exhibit E to the Series 2010D-F Supplemental Indenture, Exhibit C to the Series 2012H Supplemental Indenture, Exhibit C to the Series 2013I Supplemental Indenture, Exhibit C to the 2015 Supplemental Indenture and Exhibit B to the Series 2017K Indenture; and the Leased Property subject to the Master Indenture, the 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017K Supplemental Indenture and this Series 2017J Supplemental Indenture include all of (i) the property described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, (ii) the property described in Appendix D to the Series 2010B-C Supplemental Indenture, (iii) the property described in Appendix E to the Series 2010D-F Supplemental Indenture, (iv) the property described in Appendix C to the Series 2012H Supplemental Indenture, (v) the property described in Appendix C to the Series 2013I Supplemental Indenture, (vi) the property described in Appendix C to the 2015 Supplemental Indenture, (vii) the property described in Appendix B to the Series 2017K Supplemental Indenture and (viii) the property described in Appendix C hereto.

Section 5.04. Execution in Counterparts. This Series 2017J Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.05. Incorporation of Certain Miscellaneous Provisions of Master Indenture. The provisions of Sections 9.02, 9.03, 9.04, 9.05, 9.06, 9.09, 9.10, 9.11, 9.13 and 9.14 of the Master Indenture shall apply to this Series 2017J Supplemental Indenture as if set forth in full herein.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2017J Supplemental Indenture as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, as Trustee

By ______________________________
Authorized Signatory

[Signature Page to Series 2017J Supplemental Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017 by ____________, 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 SERIES 2017J CERTIFICATE

[omitted for form of Series 2017J Supplemental Indenture appended to Official Statement]

APPENDIX B

FORM OF PROJECT ACCOUNT REQUISITION

[omitted for form of Series 2017J Supplemental Indenture appended to Official Statement]

APPENDIX C

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2017J LEASE

[omitted for form of Series 2017J Supplemental Indenture appended to Official Statement]

APPENDIX D

GLOSSARY

"*Act*" means the Building Excellent Schools Today Act, part 1 of article 43.7 of title 22, C.R.S., as it may be amended from time to time.

"*Additional Rent*" means (a) when used with respect to amounts payable by the State pursuant to a Lease, the costs and expenses incurred by the State in performing its obligations under such Lease other than its obligations with respect to Base Rent and the State's Purchase Option Price; and (b) when used with respect to amounts payable by a Participating K-12 Institution pursuant to a Sublease or Participation Agreement, the costs and expenses incurred by the Participating K-12 Institution in performing its obligations under such Sublease or Participation Agreement other than its obligations with respect to the Sublessee's Purchase Option Price under such Sublease and its Matching Moneys obligations (whether in the form of cash, Base Rent, a Matching Moneys Bond and payments thereon or Matching Moneys Installment Payments). Amounts payable by a Participating K-12 Institution pursuant to a Sublease or Participation Agreement are not included in the Trust Estate.

"*Adverse Federal Direct Payment Event*" means an event that would (a) cause a Taxable Build America Certificate to fail to qualify as a qualified bond within the meaning of Section 54AA(g)(2) of the Code or (b) cause a Taxable Qualified School Construction Certificate to fail to qualify as a qualified tax credit bond within the meaning of Section 54A of the Code and as a qualified school construction bond with the meaning of Section 54F(a) of the Code.

"*Adverse Tax Event*" means:

(a) with respect to a Tax Credit Build America Certificate, an event that would cause the Certificate to fail to qualify as a build America bond within the meaning of Section 54AA(d) of the Code;

(b) with respect to a Taxable Build America Certificate, a Taxable Qualified School Construction Certificate or a Taxable No Tax Credit Certificate, the term Adverse Tax Event shall have no meaning;

(c) with respect to a Tax-Exempt Certificate, an event that would cause interest on the Certificate to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations); and

(d) with respect to a Tax Credit Qualified School Construction Certificate, an event that would cause the Certificate to fail to qualify as a qualified school construction bond within the meaning of Section 54F of the Code.

"*Allocated Investment Earnings*" means, when used with respect to any Project Account, the dollar amount, if any, designated by the State at the time such account is created of investment earnings from the Project Accounts that is to be deposited over time into such Project Account pursuant to Section 3.02(b)(ii) of the Master Indenture.

"*Amortizing Principal*" means the payments of Base Rent by the State pursuant to a Lease that are designated and paid as Amortizing Principal under such Lease.

"*Assistance Board*" means the public school capital construction assistance board created in section 22-43.7-106(1) of the Act.

"*Assistance Fund*" means the public school capital construction assistance fund created in section 22-43.7-104(1) of the Act.

"*Authorized Denominations*" means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

"*Available Project Proceeds*" with respect to any Series of Qualified School Construction Certificates has the meaning assigned to it in Section 54A of the Code.

"*Available Project Proceeds Expenditure Period*" means, with respect to any Series of Qualified School Construction Certificates, the third anniversary of the date such Series of Qualified School Construction Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year expenditure period, the last day of the extended expenditure period.

"*Base Rent*" means (a) when used with respect to amounts payable by the State pursuant to a Lease, the amounts designated and paid as Base Rent under such Lease; and (b) when used with respect to amounts payable by a Participating K-12 Institution pursuant to a Sublease, the payments, if any, by the Participating K-12 Institution pursuant to such Sublease that are designated and paid as Base Rent under such Sublease. Base Rent payable by Participating K-12 Institutions pursuant to Subleases is not included in the Trust Estate.

"*Base Rent Payment Date*" means, when used with respect to Base Rent payable pursuant to a Lease or Sublease, one of the dates in the "Base Rent Payment Date" column in the Exhibit to such Lease or Sublease that includes the schedule for payment of Base Rent payable pursuant to such Lease or Sublease.

"*Bond Counsel*" means (a) as of the date of execution and delivery of the Series 2017J Certificates and Series 2017K Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities that qualify as Taxable Build America Certificates, Tax Credit Build America Certificates, School Construction Certificates and Tax-Exempt Certificates.

"*Building Excellent Schools Today Lease Purchase Agreement*" means a lease purchase agreement entered into by the State Treasurer on behalf of the State on the instructions of the

Assistance Board to provide financial assistance as defined in the Act to Eligible K-12 Institutions pursuant to section 22-43.7-110(2) of the Act.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

"*Capital Construction Fund*" means the special fund created by Section 3.02 of the Master Indenture.

"*Certificate Fund*" means the special fund created by Section 3.01 of the Master Indenture.

"*Certificates*" means all the certificates executed and delivered pursuant to the Master Indenture.

"*Charter*" means the charter granted to the charter school by the Chartering School District or other contract between the charter school and the Chartering School District under which the charter school operates.

"*Chartering Authority*" means the school district or State Charter School Institute that has granted or entered into a charter school's charter.

"*Code*" means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

"*Colorado Recovery Act*" means the Colorado Recovery and Reimbursement Finance Act of 2009, C.R.S. title 11, article 59.7, as it may be amended from time-to-time.

"*Comparable Treasury Issue*" means, with respect to any Series of Certificates, the U.S. Treasury security selected by a Reference Dealer designated by the State as having a maturity comparable to the remaining term to maturity of the Series of Certificates to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series of Certificates being redeemed.

"*Comparable Treasury Price*" means:

(a) with respect to the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available three business days prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee, or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations; and

(b) with respect to any Series of Certificates other than the Series 2010B Certificates and any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on a day at least three Business Days but no more than 45 Business Days preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available prior to the date of redemption (excluding inflation-indexed securities) or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (A) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Completion Certificate*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which the Project was financed.

"*Completion Date*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which the Project was financed.

"*Contractor*" means any Person who performs Work in connection with a Project.

"*Costs*" or "*Costs of a Project*" means, with respect to each Project, the costs of capital construction (as defined in § 22-43.7-103(6) of the Act) of such Project that are incurred prior to the Completion Date for such Project.

"*Costs of Issuance*" means costs financed with the proceeds of a Series of Certificates (a) that are incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, Sublease, Participation Agreement or Matching Moneys Bond, the Indenture, the Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants' fees and recording and filing fees; and (b) (i) if proceeds of such Series of Certificates are deposited into one or more Project Accounts, such costs are incurred prior to the last Completion Date for a Project that is to be funded from one of such Project Accounts and (ii) if proceeds of such Series of Certificates are used to defease Certificates pursuant to the Master Indenture, such costs are incurred in connection with the defeasance of such Certificates.

"*Costs of Issuance Account*" means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

"*C.R.S.*" means Colorado Revised Statutes, as amended.

"Defeasance Securities" means Permitted Investments which are:

(a) cash;

(b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series ("SLGs");

(c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself and CATS, TIGRS and similar securities;

(d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;

(f) the following obligations issued by the following agencies if such obligations are backed or guaranteed by the full faith and credit of the United States or the full faith and credit of the United States is pledged for the payment of principal of and interest on such obligations:

(i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;

(iii) Federal Financing Bank;

(iv) General Services Administration participation certificates;

(v) U.S. Maritime Administration Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD):

(A) Project Notes;

(B) Local Authority Bonds;

(C) New Communities Debentures—U.S. government guaranteed debentures; and

(D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors in interest and assigns.

"*Eligible K-12 Institution*" means an applicant as defined in the Act.

"*Event of Default*" means (a) when the term is used in any Lease or is used to refer to an event occurring under a Lease, an event described in Section 11.01 of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to a Lease or when the term is used in a Sublease or Participation Agreement to refer to an event occurring under such a Sublease or Participation Agreement, an event described in Section 11.01 of such Sublease or Participation Agreement; (c) when the term is used in a Site Lease with respect to Leased Property subject to a Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 10.01 of such Site Lease; and (d) when the term is used in the Indenture, an Event of Default under any Lease.

"*Event of Nonappropriation*" means (a) when the term is used in a Lease, an event described in Section 5.04(b) of such Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 5.04(b) of such Sublease; (c) when the term is used in any other Sublease with respect to Leased Property or is used in any other Sublease or in any Participation Agreement to refer to an event occurring under such Sublease or Participation Agreement, an event described in Section 6.04(b) of such Sublease or Participation Agreement; and (d) when the term is used in the Indenture, an Event of Nonappropriation under any Lease.

"*Failure to Perform*" is defined in Section 7.03 of the Master Indenture.

"*Fair Market Value*" means:

(a) with respect to real property improved pursuant to a Project after the Completion Date for the Project and with respect to Leased Property that is not improved pursuant to a Project: (i) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project has been or is being financed; *plus* (ii) the replacement value of such property determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property;

(b) with respect to real property that is being improved pursuant to a Project before the Completion Date for the Project: (i) the sum of (A) the value of the land included in such property as estimated by the Site Lessor of such property or by the Participating K-12 Institution for which the Project is being financed; and (B) the replacement value of property to be improved pursuant to the Project determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property, net of any reduction in the value of such property resulting from demolition or other changes to such property in connection with the Project; *plus* (ii) the sum, without duplication, of (A) the amount of proceeds of

Certificates deposited and Allocated Investment Earnings deposited or expected to be deposited into the Project Account for the Project; (B) the amount expected to be expended on the Project from the Assistance Fund; (C) the amount previously expended on the Project from sources other than the Project Account or the Assistance Fund; and (D) the amount expected to be expended on the Project in the future from sources other than the Project Account or the Assistance Fund;

(c) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy such property in an arm's length transaction; and

(d) if Fair Market Value is being determined for a portion of property for which a value is determined pursuant to clauses (a), (b) and/or (c) above, including, for example, where only a portion or none of the property improved pursuant to a Project is included in the Leased Property, the State's determination as to the amount of the value determined pursuant to clauses (a), (b) and/or (c) above that is allocable to the portion of the property for which Fair Market Value is being determined shall be conclusive and binding on all Persons.

"*Federal Direct Payments*" means (a) with respect to Taxable Build America Certificates, payments by the federal government in connection with the interest payable on such Certificates on each Interest Payment Date pursuant to Sections 54AA(g) and 6431 of the Code; and (b) with respect to Taxable Qualified School Construction Certificates, payments by the federal government in connection with the interest payable on each maturity of such Certificates pursuant to Sections 54F and 6431 of the Code.

"*Fiscal Year*" means the State's fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

"*Force Majeure*" means any event that is not within the control of the State, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

"*Glossary*" means this Glossary as it may be amended, supplemented or restated from time to time.

"*Governing Body*" means, (a) when used with respect to a Participating K-12 Institution that is a school district, the Board of Education of such school district; (b) when used with respect to a Participating K-12 Institution that is a charter school, the board of directors or other comparable body of such charter school; and (c) when used with respect to any other Participating K-12 Institution, the legislative body, board of directors or other comparable body of such Participating K-12 Institution.

"*Indenture*" means the Master Indenture and all Supplemental Indentures, collectively.

"*Initial Purchaser*" means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

"*Initial Term*" means, with respect to each Lease, Sublease and Participation Agreement, the period commencing on the date the Lease, Sublease or Participation Agreement is executed and delivered (unless a different commencement date is specifically set forth in such Lease, Sublease or Participation Agreement) and ending on the following June 30.

"*Interest Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Interest Component*" means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate to receive interest on such Certificate independently of the right to receive the principal of such Certificate.

"*Interest Payment Date*" (a) has no meaning with respect to the Series 2009A Certificates; (b) means, with respect to the 2010B-C Certificates, March 15 and September 15, commencing on September 15, 2010; (c) means, with respect to the 2010D-F Certificates, March 15 and September 15, commencing September 15, 2011; (d) means, with respect to the 2011G Certificates, March 15 and September 15, commencing March 15, 2012; (e) means, with respect to the 2012H Certificates, March 15 and September 15, commencing September 15, 2013; (f) means, with respect to the 2013I Certificates, March 15 and September 15, commencing September 15, 2014; (g) means, with respect to the 2017J Certificates and 2017K Certificates, March 15 and September 15, commencing March 15, 2018; and (h) means, with respect to other Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, March 15 and September 15, commencing on the first such date that is at least 75 days after the original dated date of such Certificates.

"*Interest Strip*" means an instrument evidencing the right to receive the interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the principal of, such Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Land*" means (a) with respect to the land included in the Leased Property, the land described in Exhibit A to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a Participating K-12 Institution's Leased Property under a Sublease, the land described in Exhibit B to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; and (c) with respect to the land included in a Site Lessor's Leased Property under a Site Lease, the land described in Exhibit A to such Site Lease, subject to the terms of such Site Lease relating to modifications and substitutions of Leased Property.

"*Lease*" means (a) when the term is used in a particular Building Excellent Schools Today Lease Purchase Agreement to refer to "this Lease," the particular Building Excellent Schools Today Lease Purchase Agreement in which the term is used; (b) when the term is used in the Indenture or another document other than a Building Excellent Schools Today Lease Purchase Agreement and is not preceded by the Series designation of the Lease, any of the

Building Excellent Schools Today Lease Purchase Agreements, revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates; and (c) when the terms is preceded by the Series designation of the Lease, the Building Excellent Schools Today Lease Purchase Agreement with that Series designation.

"*Lease Revenues*" means, (a) with respect to each Lease: (i) the Base Rent; (ii) Federal Direct Payments, if any, with respect to the interest component of Base Rentals paid to the Trustee pursuant to a Lease; (iii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iv) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto. Lease Revenues does not include amounts payable by any Participating K-12 Institution under a Sublease or Participation Agreement or amounts payable under any Matching Moneys Bond.

"*Lease Term*" means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of such Lease.

"*Leased Property*" means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular Sublease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are subleased to the Sublessee pursuant to the Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Site Lessor to the Trustee pursuant to such Site Lease; (d) when the term is used together with a possessive reference to a particular Sublessee or Site Lessor, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased to such Sublessee under a Sublease or leased by such Site Lessor under a Site Lease; and (e) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

"*Master Indenture*" means the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009 by the Trustee, as it has been supplemented and amended by the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2011G Supplemental Indenture, the October 2012 Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017J

Supplemental Indenture and the Series 2017K Supplemental Indenture and as it may be further supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

"*Matching Moneys*" has the meaning assigned to it in the Act.

"*Matching Moneys Bond*" means any bond issued by and delivered to the State to satisfy a Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project.

"*Matching Moneys Installment Payments*" means periodic payments by a Participating K-12 Institution designated as Matching Moneys Installment Payments in a Sublease or Participation Agreement that the Participating K-12 Institution has agreed to pay to satisfy the Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project.

"*Moody's*" means Moody's Investor Service and its successors and assigns.

"*Net Proceeds*" means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event *minus* any expenses incurred in connection with the collection of such gross proceeds.

"*October 2012 Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 30, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Opinion of Counsel*" means a written opinion of legal counsel, who may be counsel to the Trustee.

"*Outstanding*" means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;

(c) Certificates which have been redeemed as provided in Article IV of the Master Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);

(d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.05 of the Master Indenture;

(e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and

(f) Certificates held by the State.

"*Owner*" of a Certificate means the registered owner of such Certificate as shown in the registration records of the Trustee.

"*Participant*" means a Participating K-12 Institution that is not a Sublessee under a Sublease.

"*Participant Representative*" means a Person identified as such in a Participant's Participation Agreement.

"*Participating K-12 Institution*" means an Eligible K-12 Institution for which the Assistance Board has recommended, and the State Board has approved, the provision of financial assistance for the Eligible K-12 Institution's Project in accordance with the Act and for which the Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement to provide such financial assistance.

"*Participation Agreement*" means an agreement between the State and a Participant with respect to the financing of the Participant's Project.

"*Participation Agreement Representative*" means a Person identified as such in a Participant's Participation Agreement or any Person appointed as Participation Agreement Representative by the Person identified as such in such Participation Agreement.

"*Participation Agreement Term*" means the period of time during which a Participation Agreement is in force and effect as set forth in Section 3.01 of such Participant Agreement.

"*Permitted Encumbrances*" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 7.02(b) of any Lease; (b) the Leases, the Indenture, the Site Leases and the Subleases; (c) easements, licenses, rights-of-way, rights and privileges, reversion clause, use or other restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 7.03 of any Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, the Site Leases or the Subleases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, as certified by the Site Lessor that leased the Leased Property to the Trustee, materially impair title to the Leased Property; and (i) items appearing on the title insurance policy or commitment to issue the title insurance policy delivered at the time the Leased Property is added to the Leased Property subject to a Lease.

"*Permitted Investments*" means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under C.R.S. § 24-75-601.1 or any successor thereto.

"*Person*" means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

"*Principal Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Principal Component*" means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Credit Component or, if applicable, the Interest Component, including the right to payment of the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on such Certificate in accordance with the Indenture and the other rights of the Owner of such Certificate under the Indenture based on the principal amount of such Certificate that are not included in the Tax Credit Component or Interest Component.

"*Principal Strip*" means an instrument evidencing the right to receive the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, and the interest on, such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Project*" means (a) when the term is used to refer to a Project financed with the proceeds of a Series of Certificates, a capital construction project as defined in the Act that is financed with the proceeds of such Series of Certificates; (b) when the term is used in a particular Lease, a capital construction project as defined in the Act that is financed with proceeds of Certificates with the same Series designation as the Lease; (c) when the term is used together with a possessive reference to a Participating K-12 Institution, a capital construction project as defined in the Act that is identified as the Project of such Participating K-12 Institution in a Lease, a Sublease, a Participation Agreement, a Site Lease, the Indenture or other document; and (d) when the term is used in other contexts, all the capital construction projects as defined in the Act financed, in whole or in part, with proceeds of Certificates.

"*Project Account*" means an account of the Capital Construction Fund that is to be used to fund a particular Project.

"*Project Contract*" means the contract or agreement pursuant to which a Contractor performs Work in connection with a Project.

"*Property Damage, Defect or Title Event*" means one of the following events: (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

"*Proportionate Share*" means (a) when the term is used to refer to a Participating K-12 Institution's share of an amount payable (or another amount to be allocated among Participating K-12 Institutions) pursuant to a particular Lease, the share determined by multiplying the total amount by a fraction, the numerator of which is the costs of the Participating K-12 Institution's Project financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease and the denominator of which is the sum of the costs all Participating K-12 Institution's Projects financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease; and (b) when the term is used to refer to a Participating K-12 Institution's share of the sum of all amounts payable (or all other amounts to be allocated among all Participating K-12 Institutions) pursuant to all the Leases for a particular category of cost or expense (or for a particular purpose), the share determined by multiplying the sum of all such amounts by a fraction, the numerator of which is the costs of such Participating K-12 Institution's Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all Participating K-12 Institutions' Projects financed with the proceeds of all Certificates and Allocated Investment Earnings.

"*Purchase Option Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Qualified School Construction Certificate*" means any Taxable Qualified School Construction Certificate or any Tax Credit Qualified School Construction Certificate.

"*Rating Agency*" means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody's, but only if Moody's then maintains a rating on any Outstanding Certificates at the request of the State.

"*Rebate Fund*" means the special fund created by Section 3.04 of the Master Indenture.

"*Record Date*" means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs on a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

"*Reference Dealer*" means:

(a) with respect to the Series 2010B Certificates, (i) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State;

(b) with respect to any Series of Certificates other than the Series 2010B Certificates, (i) RBC Capital Markets, LLC or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the State shall substitute therefor another Primary Treasury Dealer, and (ii) four other Primary Treasury Dealers selected by the State.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee or the independent accounting firm or financial advisor retained for such purpose, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the State and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third business day preceding such redemption date.

"*Renewal Term*" means, with respect to each Lease, Sublease and Participation Agreement, each twelve-month period, commencing on July 1 of each Fiscal Year and ending on June 30 of such Fiscal Year, for which the State renews a Lease Term, a Sublessee renews a Sublease Term or a Participant renews a Participation Agreement Term after the Initial Term of such Lease, Sublease or Participation Agreement.

"*Rent*" means Base Rent and Additional Rent, collectively.

"*Requirement of Law*" means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (including any such consent order), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

"*S&P*" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"*Scheduled Lease Term*" means the period that begins on the first day of the Initial Term of a Lease and ends on the date described in Section 3.01(b)(i) of such Lease.

"*Scheduled Participation Agreement Term*" means the period that begins on the first day of the Initial Term of a Participation Agreement and ends on the date described in Section 3.01(b)(i) of such Participation Agreement.

"*Scheduled Site Lease Term*" means the period that begins on the first day of the Site Lease Term of a Site Lease and ends on the date described in Section 3.01(a)(i) of such Site Lease.

"*Scheduled Sublease Term*" means the period that begins on the first day of the Initial Term of a Sublease and ends on the date described in Section 3.01(b)(i) of such Sublease.

"*Series*" means, (a) when used to refer to any series of Certificates, a series of Certificates authorized by and named in a Supplemental Indenture; and (b) when used to refer to a Lease, Sinking Fund Account or any other term with a series designation, the Lease, Sinking Fund Account or other term identified by a series designation. If the name of more than one Series of Certificates or Sinking Fund Accounts includes the same year and letter, (i) the letter in the Series name for such Series of Certificates or Sinking Fund Account shall be followed by a dash and a number in order to distinguish it from other Series of Certificates or Sinking Fund Accounts with the same year and letter in its name; (ii) references to Certificates by a year and letter shall include all Series of Certificates the name of which includes the same year and letter; and (iii) references to the Lease "with the same Series designation" as a Series of Certificates or Sinking Fund Account shall mean the Lease the name of which includes the same year and letter as such Series of Certificates or Sinking Fund Account.

"*Series 2009A Certificates*" means the Series of Certificates authorized by the Series 2009A Supplemental Indenture.

"*Series 2009A Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2009A Certificates pursuant to Section 3.01 of the Master Indenture.

"*Series 2009A Sinking Fund Principal*" means the payments of Base Rent by the State pursuant to the 2009A Lease that are designated and paid as Series 2009A Sinking Fund Principal under the 2009A Lease.

"*Series 2009A Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of August 12, 2009 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010B Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B.

"*Series 2010B Interest*" means the interest payable on the Series 2010B Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*Series 2010B-C Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010C Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Series 2010C Tax-Exempt Series 2010C.

"*Series 2010C Interest*" means the interest payable on the Series 2010C Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*Series 2010D Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Qualified School Construction Series 2010D.

"*Series 2010D Interest*" means the interest payable on the Series 2010D Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2010D Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2010D Certificates pursuant to the Master Indenture.

"*Series 2010D Sinking Fund Principal*" means the payment of Base Rent by the State pursuant to the 2010D-F Lease that are designated and paid as Series 2010D Sinking Fund Principal under the 2010D-F Lease.

"*Series 2010D-F Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010E Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Taxable Build America Series 2010E.

"*Series 2010E Interest*" means the interest payable on the Series 2010E Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2010F Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2010F.

"*Series 2010F Interest*" means the interest payable on the Series 2010F Certificates pursuant to the Series 2010D-F Supplemental Indenture.

"*Series 2011G Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2011G.

"*Series 2011G Interest*" means the interest payable on the Series 2011G Certificates pursuant to the Series 2011G Supplemental Indenture.

"*Series 2011G Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 8, 2011 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2012H Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2012H.

"*Series 2012H Interest*" means the interest payable on the Series 2012H Certificates pursuant to the Series 2012H Supplemental Indenture.

"*Series 2012H Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 6, 2012 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2013I Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2013I.

"*Series 2013I Interest*" means the interest payable on the Series 2013I Certificates pursuant to the Series 2013I Supplemental Indenture.

“*Series 2013I Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 9, 2013 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2017J Certificates*” means the State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2017J.

“*Series 2017J Interest*” means the interest payable on the Series 2017J Certificates pursuant to the Series 2017J Supplemental Indenture.

“*Series 2017J Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 7, 2017 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Series 2017K Certificates*” means the State of Colorado Building Excellent Schools Today Refunding Certificates of Participation Tax-Exempt Series 2017K.

“*Series 2017K Defeasance Escrow Agreement*” means the State of Colorado Building Excellent Schools Today Series 2017K Defeasance Escrow Agreement dated as of December 7, 2017 between the State and the Trustee, in its capacity as escrow agent.

“*Series 2017K Defeasance Escrow Account*” means the account of that name maintained pursuant to the Series 2017K Defeasance Escrow Agreement.

“*Series 2017K Interest*” means the interest payable on the Series 2017K Certificates pursuant to the Series 2017K Supplemental Indenture.

“*Series 2017K Supplemental Indenture*” means the State of Colorado Building Excellent Schools Today Supplemental Trust Indenture dated as of December 7, 2017 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Sinking Fund Account*” means one of the special accounts of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture. The name of each Sinking Fund Account shall include the same Series designation as the Series of Qualified School Construction Certificates for which it is established.

“*Sinking Fund Certificates*” means Qualified School Construction Certificates the principal of which is payable from a Sinking Fund Account.

“*Sinking Fund Principal*” means the payments of Base Rent by the State that are designated in a Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

“*Site Lease*” means a lease pursuant to which a Site Lessor has leased Leased Property to the Trustee, as amended or supplemented from time-to-time. When the term is preceded by a possessive, it means the Site Lease pursuant to which the particular Site Lessor has leased Leased Property to the Trustee.

"*Site Lease Term*" means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of such Site Lease.

"*Site Lessor*" means the Participating K-12 Institution or the Chartering Authority for a Participating K-12 Institution that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

"*Site Lessor Representative*" means a Person identified as such in a Site Lessor's Site Lease or any Person appointed as Site Lessor Representative by the Person identified as such in such Site Lease.

"*Special Record Date*" means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

"*Specifications*" means, for each Project, the Specifications attached to the Sublease or Participation Agreement of the Participating K-12 Institution for which such Project was financed.

"*State*" means (a) when used with respect to a party to a Sublease or Participation Agreement, the State of Colorado, acting by and through the State Treasurer and the Assistance Board acting on behalf of the State; (b) when used with respect to a party to a Lease or any other document other than a Sublease or Participation Agreement, the State of Colorado, acting by and through the State Treasurer; and (c) when used in any other context, the State of Colorado.

"*State Board*" means the State Board of Education created and existing pursuant to section 1 of article IX of the State Constitution.

"*State Expense Fund*" means the special fund created by Section 3.03 of the Master Indenture.

"*State Representative*" means the (a) the State Treasurer; (b) the Deputy State Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, the Site Leases, the Subleases and the Participation Agreements.

"*State Treasurer*" means the State Treasurer of the State, which State Treasurer is, pursuant to C.R.S. § 24-36-101, chief executive officer of the Department of the Treasury of the State.

"*State's Purchase Option Price*" means, when the term is used to refer to the State's Purchase Option Price in a Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to such Lease pursuant to Section 8.01 of such Lease.

"*Stripped*" when used with respect to a Certificate means that a Principal Strip, Interest Strip and/or Tax Credit Strip have been created from such Certificate pursuant to a Supplemental Indenture.

“*Stripping*” means the creation of a Principal Strip, Interest Strip and/or Tax Credit Strip from a Certificate pursuant to a Supplemental Indenture.

“*Stripping Request*” means a request delivered by the Owner of a Certificate to the Trustee to create separate Principal Strips, Interest Strips and/or Tax Credit Strips from such Certificate in accordance with a Supplemental Indenture.

“*Sublease*” means a sublease pursuant to which a Participating K-12 Institution subleases Leased Property from the State, as amended or supplemented from time-to-time.

“*Sublease Term*” means the period of time during which a Sublease is in force and effect as set forth in Section 3.01 of such Sublease.

“*Sublessee*” means (a) when the term is used in or to refer to a particular Sublease, the Participating K-12 Institution that is subleasing the Leased Property subject to the Sublease from the State pursuant to the Sublease; and (b) when the term is used in a Lease, the Indenture or another document, any Participating K-12 Institution that is subleasing Leased Property from the State pursuant to a Sublease.

“*Sublessee Representative*” means a Person identified as such in a Sublessee’s Sublease or any Person appointed as Sublessee Representative by the Person identified as such in such Sublease.

“*Sublessee’s Purchase Option Price*” means (a) when the term is used to refer to the Sublessee’s Purchase Option Price under any Sublease with respect to Leased Property subject to the 2009A Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under the 2009A Lease pursuant to Section 8.01 of such Sublease; and (b) when the term is used to refer to the Sublessee’s Purchase Option Price under any Sublease with respect to Leased Property subject to the 2010B-C Lease, the 2010D-F Lease, the 2012H Lease, the 2013I Lease, the 2017J Lease or the 2017K Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under such Lease pursuant to Section 9.01 of such Sublease.

“*Supplemental Indenture*” means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

“*Supplemental Interest*” means, with respect to any Tax Credit Qualified School Construction Certificate, interest payable from the date such Certificate is first executed and delivered, at the rate set forth in the Supplemental Indenture authorizing the Series of Certificates of which such Certificate is a part.

“*Tax Credit*” means the federal tax credit that the Owner of a Tax Credit Qualified School Construction Certificate or a Tax Credit Build America Certificate has the right to claim with respect to such Certificate under the Code.

"*Tax Credit Allowance Date*" means, with respect to each Qualified School Construction Certificate and any Tax Credit Strip relating to a Tax Credit Qualified School Construction Certificate, (a) each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Qualified School Construction Certificate through the date such Tax Credit Qualified School Construction Certificate matures or is redeemed and (b) the date on which such Tax Credit Qualified School Construction Certificate matures or is redeemed.

"*Tax Credit Build America Certificate*" means any Certificate of any Series designated as Tax Credit Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Tax Credit Component*" means the right of the Owner of a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate, or if such Certificate has been Stripped the Owner of the related Tax Credit Strip, to claim the Tax Credit with respect to such Certificate.

"*Tax Credit Coupon*" means the coupon attached to a Tax Credit Build America Certificate or a Tax Credit Qualified School Construction Certificate evidencing the right to claim a Tax Credit with respect to such Certificate.

"*Tax Credit Qualified School Construction Certificate*" means any of the Series 2009A Certificates and any Certificate of any other Series designated as a Tax Credit Qualified School Construction Certificate in the Supplemental Indenture authorizing the issuance of such other Series of Certificates of which such Certificate is a part.

"*Tax Credit Rate*" means, with respect to any Tax Credit Qualified School Construction Certificate, the credit rate as of the date on which there is a binding, written contract for the initial sale and exchange of such Certificate, as published by the United State Bureau of Public Debt on its Internet site for State and Local Government Series securities at: https://www.treasurydirect.gov.

"*Tax Credit Strip*" means an instrument evidencing the right to receive the tax credit available to the owner of a Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the principal of or the interest on such Tax Credit Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Tax-Exempt Certificate*" means any Certificate of any Series of Certificates designated as Tax-Exempt Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Tax Treatment Designation*" means the designation assigned to a Series of Certificates in the Supplemental Indenture authorizing the Series of Certificates as Taxable Build America Certificates, Tax Credit Build America Certificates, Taxable No Tax Credit Certificates, Tax-Exempt Certificates, Tax Credit Qualified School Construction Certificates or Taxable Qualified School Construction Certificates.

"*Taxable Build America Certificate*" means any Certificate of any Series of Certificates designated as Taxable Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable Build America Certificates Tax Law Change*" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 54AA or 6431 of the Code of Federal Direct Payments equal to 35% of the interest payable on each interest payment date; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

"*Taxable No Tax Credit Certificate*" means any Certificate of any Series designated as Taxable No Tax Credit Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable Qualified School Construction Certificate*" means any Certificate of any Series of Certificates designated as Taxable Qualified School Construction Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable Qualified School Construction Certificates Tax Law Change*" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 64F or 6431 of the Code of Federal Direct Payments equal to the lesser of (a) 100% of the interest payable on each Taxable Qualified School Construction Certificate on each interest payment date and (b) the amount of interest which would have been payable on the such Taxable Qualified School Construction Certificate on such interest payment date if such rate were the Tax Credit Rate; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

"*Total Scheduled Base Rent*" means, (a) with respect to any Base Rent Payment Date under the 2009A Lease, the 2009A Sinking Fund Principal component of Base Rent payable pursuant to the 2009A Lease on such Base Rent Payment Date; (b) with respect to any Base Rent Payment Date under the 2010B-C Lease, the sum of the Amortizing Principal, Series 2010B

Interest and Series 2010C Interest components of Base Rent payable pursuant to the 2010B-C Lease on such Base Rent Payment Date; (c) with respect to any Base Rent Payment Date under the 2010D-F Lease, the sum of the Amortizing Principal, Series 2010D Sinking Fund Principal, Series 2010D Interest, Series 2010E Interest and Series 2010F Interest components of Base Rent payable pursuant to the 2010D-F Lease on such Base Rent Payment Date; (d) with respect to any Base Rent Payment Date under the 2011G Lease, the sum of the Amortizing Principal and Series 2011G Interest components of Base Rent payable pursuant to the 2011G Lease on such Base Rent Payment Date; (e) with respect to any Base Rent Payment Date under the 2012H Lease, the sum of the Amortizing Principal and Series 2012H Interest components of Base Rent payable pursuant to the 2012H Lease on such Base Rent Payment Date; (f) with respect to any Base Rent Payment Date under the 2013I Lease, the sum of the Amortizing Principal and Series 2013I Interest components of Base Rent payable pursuant to the 2013I Lease on such Base Rent Payment Date; (g) with respect to any Base Rent Payment Date under the 2017J Lease, the sum of the Amortizing Principal and Series 2017J Interest components of Base Rent payable pursuant to the 2017J Lease on such Base Rent Payment Date; and (h) with respect to any Base Rent Payment Date under the 2017K Lease, the sum of the Amortizing Principal and Series 2017K Interest components of Base Rent payable pursuant to the 2017K Lease on such Base Rent Payment Date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date

"*Trust Bank*" means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

"*Trust Estate*" means the property placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture.

"*Trustee*" means 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, the Site Leases, the Subleases and the Participation Agreements by a written certificate furnished to the State Treasurer containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State Treasurer.

"*2009A Lease*" means the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August 12, 2009 between the Trustee and the State, as amended or supplemented from time to time.

"*2009A Leased Property*" means the Leased Property subject to the 2009A Lease.

"*2009A Participating K-12 Institutions*" means Alamosa School District Re-11J, Sangre De Cristo School District Re-22J and Sargent School District Re-33J.

"*2009A Project Accounts*" means the Project Accounts into which proceeds of the Series 2009A Certificates are deposited.

"*2009A Projects*" means the Projects financed with proceeds of the Series 2009A Certificates.

"*2009A Site Leases*" means the Site Leases between the Trustee and the 2009A Participating K-12 Institutions as Site Lessors, as amended or supplemented from time to time.

"*2009A Subleases*" means the Subleases between the State and the 2009A Sublessees as Sublessees, as amended or supplemented from time to time.

"*2009A Sublessees*" means the 2009A Participating K-12 Institutions in their capacities as Sublessees under the 2009A Subleases.

"*2010B-C Certificates*" means the Series 2010B Certificates and the Series 2010C Certificates, collectively.

"*2010B-C Lease*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

"*2010B-C Leased Property*" means the Leased Property subject to the 2010B-C Lease.

"*2010B-C Participating K-12 Institutions*" means Alta Vista Charter School, Colorado School for the Deaf and Blind, Crestone Charter School, Inc., Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Project Accounts*" means the Project Accounts into which proceeds of the Series 2010B-C Certificates are deposited.

"*2010B-C Projects*" means the Projects financed with proceeds of the Series 2010B-C Certificates.

"*2010B-C Site Leases*" means the Site Leases between the Trustee and the 2010B-C Site Lessors, as amended or supplemented from time to time.

"2010B-C Site Lessors" means Lamar School District RE-2, Colorado School for the Deaf and Blind, Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Subleases*" means the Subleases between the State and the 2010B-C Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2010B-C Sublessees*" means the 2010B-C Participating K-12 Institutions other than Crestone Charter School, Inc. in their capacities as Sublessees under the 2010B-C Subleases.

"*2010D-F Certificates*" means the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates, collectively.

"*2010D-F Lease*" means the State of Colorado Building Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

"*2010D-F Leased Property*" means the Leased Property subject to the 2010D-F Lease.

"*2010D-F Participating K-12 Institutions*" means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Lake George Charter School, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

"*2010D-F Project Accounts*" means the Project Accounts into which proceeds of the Series 2010D-F Certificates are deposited.

"*2010D-F Projects*" means the Projects financed with proceeds of the Series 2010D-F Certificates.

"*2010D-F Site Leases*" means the Site Leases between the Trustee and the 2010D-F Site Lessors, as amended or supplemented from time to time.

"2010D-F Site Lessors" means Akron School District No. R-1, Center Joint Consolidated School District No. 26, Holly School District RE-3, Park County School District RE-2, School District No. 1 in the County of Adams (MAPLETON 1), Monte Vista Consolidated School District No. 8, North Routt Community Charter School, Salida School District R-32-J and Vista Charter School.

"*2010D-F Subleases*" means the Subleases between the State and the 2010D-F Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2010D-F Sublessees*" means the 2010D-F Participating K-12 Institutions in their capacities as Sublessees under the 2010D-F Subleases.

"*2011G Certificates*" means the Series 2011G Certificates.

"*2011G Lease*" means, (a) prior to the amendment and restatement thereof by the 2017K Lease, the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase

Agreement dated as of December 8, 2011 between the Trustee and the State, as amended or supplemented from time to time., and (b) thereafter, the 2017K Lease.

"*2011G Leased Property*" means the Leased Property subject to the 2011G Lease.

"*2011G Participating K-12 Institutions*" means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J, School District No. RE-11 in the County of Weld and State of Colorado and The Laurent Clerc Educational Fund of Colorado d/b/a Rocky Mountain Deaf School.

"*2011G Project Accounts*" means the Project Accounts into which proceeds of the Series 2011G Certificates are deposited.

"*2011G Projects*" means the Projects financed with proceeds of the Series 2011G Certificates.

"*2011G Site Leases*" means the Site Leases between the Trustee and the 2011G Site Lessors, as amended or supplemented from time to time.

"2011G Site Lessors" means Arapahoe County School District No. 1, Big Sandy School District No. 100J, Boulder Valley School District No. RE 2, Eagle County School District No. RE 50, Ellicott School District No. 22, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

"*2011G Subleases*" means the Subleases between the State and the 2011G Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2011G Sublessees*" means the following 2011G Participating K-12 Institutions in their capacities as Sublessees under the 2011G Subleases: Arapahoe County School District No. 1, Big Sandy School District No. 100J, Eagle County Charter Academy, Ellicott School District No. 22, Horizons K-8 School, Idalia RJ-3 School District, Ignacio School District No. 11 JT, Sanford School District No. 6J and School District No. RE-11 in the County of Weld and State of Colorado.

"*2012H Certificates*" means the Series 2012H Certificates.

"*2012H Lease*" means the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 between the Trustee and the State, as amended or supplemented from time to time.

"*2012H Leased Property*" means the Leased Property subject to the 2012H Lease.

"*2012H Participating K-12 Institutions*" means Elbert School District No. 200, Genoa-Hugo School District No. C-113, Greeley School District No. 6, Hi-Plains School District R-23, Lake County School District No. R-1, Montezuma-Cortez School District No. RE1, Otis School District No. R-3, Platte Valley School District No. RE3 and Sheridan School District No. 2.

"*2012H Project Accounts*" means the Project Accounts into which proceeds of the Series 2012H Certificates are deposited.

"*2012H Projects*" means the Projects financed with proceeds of the Series 2012H Certificates.

"*2012H Site Leases*" means the Site Leases between the Trustee and the 2012H Site Lessors, as amended or supplemented from time to time.

"*2012H Site Lessors*" means the 2012H Participating Institutions in their capacities as Site Lessors under the 2012H Site Leases.

"*2012H Subleases*" means the Subleases between the State and the 2012H Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2012H Sublessees*" means the 2012H Participating K-12 Institutions in their capacities as Sublessees under the 2012H Subleases.

"*2013I Certificates*" means the Series 2013I Certificates.

"*2013I Lease*" means the State of Colorado Building Excellent Schools Today Series 2013I Lease Purchase Agreement dated as of December 9, 2013 between the Trustee and the State, as amended or supplemented from time to time.

"*2013I Leased Property*" means the Leased Property subject to the 2013I Lease.

"*2013I Participating K-12 Institutions*" means Creede School District, Haxtun School District RE-2J, Kim Reorganized School District No. 88, Limon School District No. RE 4J, Moffat School District No. 2, in the County of Saguache and State of Colorado, and South Conejos School District No. RE-10.

"*2013I Project Accounts*" means the Project Accounts into which proceeds of the Series 2013I Certificates are deposited.

"*2013I Projects*" means the Projects financed with proceeds of the Series 2013I Certificates.

"*2013I Site Leases*" means the Site Leases between the Trustee and the 2013I Site Lessors, as amended or supplemented from time to time.

"*2013I Site Lessors*" means the 2013I Participating Institutions in their capacities as Site Lessors under the 2013I Site Leases.

"*2013I Subleases*" means the Subleases between the State and the 2013I Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2013I Sublessees*" means the 2013I Participating K-12 Institutions in their capacities as Sublessees under the 2013I Subleases.

"*2015 Lease*" means the State of Colorado Building Excellent Schools Today 2015 Lease Purchase Agreement dated as of February 12, 2015 between the Trustee and the State, as amended or supplemented from time to time.

"*2015 Leased Property*" means the Leased Property subject to the 2015 Lease.

"*2015 Participating K-12 Institution*" means Morgan County School District No. Re-3.

"*2015 Project*" means the Project financed with moneys in the 2015 Project Account.

"*2015 Project Account*" means the Project Account created by Section 3.02(e) of the Master Indenture.

"*2015 Site Lease*" means the Site Lease between the Trustee and the 2015 Site Lessor, as amended or supplemented from time to time.

"*2015 Site Lessor*" means the 2015 Participating K-12 Institution in its capacity as Site Lessor under the 2015 Site Lease.

"*2015 Sublease*" means the Sublease between the State and the 2015 Sublessee, as amended or supplemented from time to time.

"*2015 Sublessee*" means the 2015 Participating K-12 Institution in its capacity as Sublessee under the 2015 Sublease.

"*2015 Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today 2015 Supplemental Trust Indenture dated as of February 12, 2015, as it may be amended or supplemented from time to time by a Supplemental Indenture or otherwise.

"*2017J Certificates*" means the Series 2017J Certificates.

"*2017J Lease*" means the State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement dated as of December 7, 2017 between the Trustee and the State, as amended or supplemented from time to time.

"*2017J Leased Property*" means the Leased Property subject to the 2017J Lease.

"*2017J Participating K-12 Institutions*" means Brush School District No. RE-2J, Del Norte School District No. C-7, Mancos School District RE-6, and Mountain Valley School District No. RE-1.

"*2017J Project Accounts*" means the Project Accounts into which proceeds of the Series 2017J Certificates are deposited.

"*2017J Projects*" means the Projects financed with proceeds of the Series 2017J Certificates.

"*2017J Site Leases*" means the Site Leases between the Trustee and the 2017J Site Lessors, as amended or supplemented from time to time.

"*2017J Site Lessors*" means the 2017J Participating Institutions in their capacities as Site Lessors under the 2017J Site Leases.

"*2017J Subleases*" means the Subleases between the State and the 2017J Sublessees and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2017J Sublessees*" means the 2017J Participating K-12 Institutions in their capacities as Sublessees under the 2017J Subleases.

"*2017K Certificates*" means the Series 2017K Certificates.

"*2017K Lease*" means the State of Colorado Building Excellent Schools Today Series 2017K Amended and Restated Lease Purchase Agreement dated as of December 7, 2017 between the Trustee and the State, as amended or supplemented from time to time.

"*2017K Leased Property*" means the Leased Property subject to the 2017K Lease.

"*2017K Participating K-12 Institutions*" means the 2011G Participating K-12 Institutions.

"*2017K Site Leases*" means the 2011G Site Leases, as amended or supplemented from time to time.

"*2017K Site Lessors*" means the 2011G Site Lessors.

"*2017K Subleases*" means the 2011G Subleases, as amended or supplemented from time to time.

"*2017K Sublessees*" means the 2011G Sublessees.

"*Unexpended Proceeds Redemption*" means any redemption of Certificates of a Series of Qualified School Construction Certificates pursuant to the applicable redemption provisions of a Supplemental Indenture as a result of the failure to expend the Available Project Proceeds within the Available Project Proceeds Expenditure Period.

"*Work*" for each Project is defined in the Sublease or Participation Agreement of the Participating K-12 Institution for which such Project was financed.

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017K SUPPLEMENTAL TRUST INDENTURE

by

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Refunding Certificates of Participation
Tax-Exempt Series 2017K

Dated as of December 7, 2017

TABLE OF CONTENTS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017K SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2017K Supplemental Trust Indenture (this "Series 2017K Supplemental Indenture") is dated as of December 7, 2017, 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 to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as such Glossary is amended, supplemented and restated by Appendix C hereto and as it may be further amended, supplemented and restated from time to time***.

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2017K Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2017K Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

ARTICLE I

SERIES 2017K 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 2017K Supplemental Indenture: State of Colorado Building Excellent Schools Today Refunding Certificates of Participation, Tax-Exempt Series 2017K.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The Series 2017K Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2017K Certificates shall be $115,790,000.

(c) The Authorized Denominations of the Series 2017K Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2017K Certificates executed and delivered on the date the Series 2017K 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 2017K Certificate executed and delivered upon transfer and exchange of another Series 2017K 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 2017K 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 2017K Certificate shall bear interest from the date the Series 2017K Certificates are first executed and delivered.

(e) Interest on the Series 2017K Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2017K Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

Maturity Date (March 15)	**Principal Amount**	**Interest Rate**
2018	$15,750,000	2.000%
2019	9,005,000	4.000
2020	5,930,000	5.000
2021	6,225,000	5.000
2022	6,525,000	5.000
2023	6,845,000	5.000
2024	7,180,000	5.000
2025	7,535,000	5.000
2026	7,905,000	5.000
2027	8,295,000	5.000
2028	8,700,000	5.000
2029	9,130,000	5.000
2030	9,580,000	5.000
2031	7,185,000	5.000

Section 1.03. Redemption.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2017K 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 2017K 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 2017K 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 2017K Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates that are Sinking Fund Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Series 2017K 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 2017K Certificate and such other Certificate, and no Owner of any such Series 2017K Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2017K 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 2017K 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 2017K Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Optional Redemption***. The Series 2017K Certificates maturing on and after March 15, 2028 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after March 15, 2027, at a redemption price equal to the principal amount of the Series 2017K Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Section 1.04. Form of Certificates. The Series 2017K 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 2017K Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE II

SEPARATE ACCOUNTS AND SUBACCOUNTS FOR EACH SERIES OF CERTIFICATES

Section 2.01. Creation of Separate Accounts and Subaccounts. The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to each Series of Certificates, the proceeds of each Series of Certificates and earnings from the investment of moneys in each such account and subaccount. The name of each such account and subaccount shall include the Series designation of the appropriate Series of Certificates. The following are the separate accounts and subaccounts to be created:

(a) the Series 2017K Defeasance Escrow Account;

(b) separate accounts of the State Expense Fund and the Rebate Fund;

(c) separate Sinking Fund Accounts for each Series of Qualified School Construction Certificates; and

(d) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

ARTICLE III

AMENDMENTS TO INDENTURE

Section 3.01. Amendment of Section 3.01(c)(ii)(A) of the Master Indenture. Section 3.01(c)(ii)(A) of the Master Indenture is amended to read as follows:

> (A) principal of Qualified School Construction Certificates that are Sinking Fund Certificates shall be payable solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

Section 3.02. Amendment of Section 3.02(d)(i) of the Master Indenture. Section 3.02(d)(i) of the Master Indenture is amended to read as follows:

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative. If a separate account has been created in the State Expense Fund (A) from which moneys are to be transferred to a Project Account that has been established to pay, or reimburse the Sublessee for, Costs of a Project to the extent moneys in such Project Account are not sufficient to pay, or reimburse the Sublessee for, Costs of such Project and (B) into which future earnings from the investment of moneys in such Project Account and/or other Project Accounts are to be deposited, then, at the written direction of the State, moneys in such Project Account also may be transferred to the Interest Account or the Principal Account of the Certificate Fund in an amount up to the amount of future earnings that are to be deposited into such Project Account.

Section 3.03. Amendment of Section 3.03 of the Master Indenture. Section 3.03 of the Master Indenture is amended by adding the following new subsection (d):

(d) **New Subaccounts of Series 2010F Account of State Expense Fund**. The Trustee shall create three new subaccounts within the Series 2010F Account of the State Expense Fund: the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 Account, the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) and the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1. Notwithstanding any other provision hereof:

(i) Future earnings from the investment of moneys in the Project Accounts funded with the proceeds of the 2010C Certificates, the 2010F Certificates, the 2011G Certificates and any additional Tax-Exempt Certificates shall be deposited into the following subaccounts, on a pro rata basis, until the balances in such subaccounts are equal to the amounts indicated: $482,519.98 into the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26, $32,186.19 into the State Expense Fund Series 2010F Account Subaccount for District No. 1 in the County of Adams (MAPLETON 1) and $381,312.70 into the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1.

(ii) Until the Trustee receives a Completion Certificate for the related Project, moneys in the following subaccounts of the State Expense Fund Series 2010F Account shall be transferred to the following Series 2010F Project Accounts: (A) moneys in the State Expense Fund Series 2010F Account Subaccount for Center Joint Consolidated School District No. 26 shall be transferred to the Series 2010F Project Account of Center Joint Consolidated School District No. 26 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Center Joint Consolidated School District No. 26 for, Costs of its Project; (B) moneys in the State Expense Fund Series 2010F Account Subaccount for School District No. 1 in the County of Adams (MAPLETON 1) shall be transferred to the Series 2010F Project Account of School District No. 1 in the County of Adams (MAPLETON 1) to the extent moneys in such Project Account are not sufficient to pay, or reimburse School

District No. 1 in the County of Adams (MAPLETON 1) Center Joint for, Costs of its Project; and (C) moneys in the State Expense Fund Series 2010F Account Subaccount for Akron School District No. R-1 shall be transferred to the Series 2010F Project Account of Akron School District No. R-1 to the extent moneys in such Project Account are not sufficient to pay, or reimburse Akron School District No. R-1 for, Costs of its Project.

(iii) After the Trustee receives a Completion Certificate for the related Project, the remaining moneys in the subaccount of the State Expense Fund Series 2010F Account for the related district shall be transferred to the Series 2010F Account of the State Expense Fund and shall be used to pay the Costs of any Project or the costs of any capital construction project as defined in the Act that qualify as capital expenditures for federal income tax purposes.

Section 3.04. Reserved.

Section 3.05. Amended and Restated Glossary. In accordance with Section 8.01 of the Master Indenture, the Trustee hereby amends, supplements and restates the Glossary as set forth in Appendix C hereto based on the written direction by the State in the Series 2017K Lease and the written certification by the State in the 2017K Lease that, after such amendment, supplement and restatement the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

Section 3.06. References to Subleases and Sublessees. In order to accommodate the leasing of Leased Property to the Trustee pursuant to a Site Lease by a Participating K-12 Institution's Chartering Authority and the financing of Projects for Participating K-12 Institutions that are not Sublessees pursuant to Participation Agreements, whenever, in the body of the Master Indenture or any appendix to the Master Indenture, except Appendices A and C to the original Master Indenture (which are amended and restated in their entirety pursuant to Section 3.02 and 3.03 hereof):

(a) the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor";

(b) the term "Sublessee" is used to refer to a Project of a Sublessee, the Project Account of a Sublessee, the financing of a Project for a Sublessee, the Costs of a Sublessee's Project or payments by a Sublessee pursuant to a Sublease, such term shall be replaced with "Participating K-12 Institution"; and

(c) the term "Sublease" is used, such term shall be replaced with "Sublease or Participation Agreement," except where the term Sublease is used with respect to the terms of a Sublease granting a Sublessee the option to purchase the Leased Property subject to its Sublease (because a Participating K-12 Institution that is not a Sublessee does not have the option to purchase any Leased Property).

Section 3.07. Manner of Giving Notices. The electronic mail address for notices to the State pursuant to Section 9.09 of the Master Indenture is hereby amended to read: ryan.parsell@state.co.us. The electronic mail address and facsimile number for notices to the Trustee pursuant to Section 9.09 of the Master Indenture are hereby amended to read: denvercorporatetrust@zionsbank.com and 855.547.6178, respectively.

Section 3.08. Separate Project Accounts. Section 2.02 of the Series 2010B-C Supplemental Indenture, Section 3.02 of the Series 2010D-F Supplemental Indenture and Section 2.02 of the Series 2011G Supplemental Indenture are amended to read as follows:

Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Participating K-12 Institution's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Participating K-12 Institution's Project in the order determined by the State.

ARTICLE IV

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2017K Supplemental Indenture as if set forth in full herein.

ARTICLE V

MISCELLANEOUS

Section 5.01. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Series 2017K Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 5.02. Interpretation and Construction. This Series 2017K 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 2017K Supplemental Indenture. For purposes of this Series 2017K Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2017K 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 2017K Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2017K Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities and subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

Section 5.03. Legal Description of Land Included in Leased Property.

(a) The legal description of the land included in the Leased Property subject to the 2017K Lease is set forth in Appendix B hereto. If the land included in the Leased Property subject to the 2017K Lease is modified pursuant to the terms of the 2017K Lease or other land is substituted for land included in the Leased Property subject to the 2017K Lease pursuant to the terms of the 2017K 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 2017K Lease after such modification or substitution.

(b) The Leased Property subject to the 2017K Lease described in Appendix B hereto, the Leased Property subject to the 2009A Lease described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, the Leased Property subject to the 2010B-C Lease described in Appendix D to the Series 2010B-C Supplemental Indenture, the Leased Property subject to the 2010D-F Lease described in Appendix E to the Series 2010D-F Supplemental Indenture, the Leased Property subject to the 2012H Lease described in Appendix C to the Series 2012H Supplemental Indenture, the Leased Property subject to the 2013I Lease described in Appendix C to the Series 2013I Supplemental Indenture, the Leased Property subject to the 2015 Lease described in Appendix C to the 2015 Supplemental Indenture and the Leased Property subject to the 2017J Lease described in Appendix C to the Series 2017J Supplemental Indenture, (as well as any additional Leased Property subject to any additional Building Excellent Schools Today Lease Purchase Agreement) are part of the Leased Property that is subject to the Indenture. Accordingly, this Section and Appendix B hereto are amendments to the Master Indenture, the Series 2009A Supplemental Indenture, the Series 2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture and the 2017J Supplemental Indenture and to the legal description of land included in the Leased Property described in Appendix B to the Master Indenture, Appendix B to the Series 2009A Supplemental Indenture, Exhibit D to the Series 2010B-C Supplemental Indenture, Exhibit E to the Series 2010D-F Supplemental Indenture, Exhibit C to the Series 2012H Supplemental Indenture, Exhibit C to the Series 2013I Supplemental Indenture, Exhibit C to the 2015 Supplemental Indenture and Exhibit C to the Series 2017J Indenture; and the Leased Property subject to the Master Indenture, the 2009A Supplemental Indenture, the Series

2010B-C Supplemental Indenture, the Series 2010D-F Supplemental Indenture, the Series 2012H Supplemental Indenture, the Series 2013I Supplemental Indenture, the 2015 Supplemental Indenture, the Series 2017J Supplemental Indenture and this Series 2017K Supplemental Indenture include all of (i) the property described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture, (ii) the property described in Appendix D to the Series 2010B-C Supplemental Indenture, (iii) the property described in Appendix E to the Series 2010D-F Supplemental Indenture, (iv) the property described in Appendix C to the Series 2012H Supplemental Indenture, (v) the property described in Appendix C to the Series 2013I Supplemental Indenture, (vi) the property described in Appendix C to the 2015 Supplemental Indenture, (vii) the property described in Appendix C to the Series 2017J Supplemental Indenture and (viii) the property described in Appendix B hereto.

Section 5.04. Execution in Counterparts. This Series 2017K Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.05. Incorporation of Certain Miscellaneous Provisions of Master Indenture. The provisions of Sections 9.02, 9.03, 9.04, 9.05, 9.06, 9.09, 9.10, 9.11, 9.13 and 9.14 of the Master Indenture shall apply to this Series 2017K Supplemental Indenture as if set forth in full herein.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2017K Supplemental Indenture as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, as Trustee

By ______________________________
Authorized Signatory

[Signature Page to Series 2017K Supplemental Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017 by ____________, 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 SERIES 2017K CERTIFICATE

[omitted for form of Series 2017K Supplemental Indenture appended to Official Statement]

APPENDIX B

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2017K LEASE

[omitted for form of Series 2017K Supplemental Indenture appended to Official Statement]

APPENDIX C

GLOSSARY

[omitted for form of Series 2017K Supplemental Indenture appended to Official Statement; see identical Glossary appended to form of Series 2017J Supplemental Indenture]

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017J LEASE PURCHASE AGREEMENT

by and between

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK
solely in its capacity as Trustee under the Indenture identified herein,
as lessor

and

STATE OF COLORADO,
acting by and through the State Treasurer,
as lessee

Dated as of December 7, 2017

TABLE OF CONTENTS

ARTICLE XII
TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

ARTICLE XIII
MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017J LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement (this "Lease") is dated as of December 7, 2017 and is entered into by and between, ZB, National Association dba Zions Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee. ***Capitalized terms used but not defined in this Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated December 7, 2017 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, is authorized by the Act (a) to enter into one or more Building Excellent Schools Today Lease Purchase Agreements with a commercial bank as trustee to finance Projects for Eligible K-12 Institutions that are recommended by the Assistance Board and approved by the State Board for financing under the Act and (b) to enter into a Sublease or Participation Agreement with each such Eligible K-12 Institution with respect to the financing of its Project and, in the case of a Sublease, with respect to the subleasing of the Leased Property improved by the Eligible K-12 Institution's Project to such Eligible K-12 Institution. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to enter into a Sublease or Participation Agreement with respect to its Project and, if it is entering into a Sublease, to enter into a Sublease with respect to the Leased Property subject to such Sublease.

B. The Assistance Board has recommended and the State Board has approved the financing of the 2017J Projects for the 2017J Participating K-12 Institutions under the Act. The Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement on behalf of the State to finance the 2017J Projects for the 2017J Participating K-12 Institutions and to enter into a Sublease or Participation Agreement with each 2017J Participating Institution.

C. The Leased Property of each Participating K-12 Institution that is entering into a Sublease will be leased to the Trustee pursuant to a Site Lease from the Participating K-12 Institution or, in certain cases where the Participating K-12 Institution is a Charter School, the Chartering Authority of such Participating K-12 Institution. All the Leased Property will be leased by the Trustee to the State Treasurer, acting on behalf of the State, pursuant to this Lease, which is a Building Excellent Schools Today Lease Purchase Agreement, with the Trustee, which is a commercial bank.

D. Certificates have been and will be issued pursuant to the Indenture. Proceeds of the Certificates have been and will be used pursuant to the terms of the Indenture to finance all or a portion of the Costs of the Projects of the Participating K-12 Institutions. The following Series of Certificates have been or are being issued pursuant to the Indenture: the Series 2009A Certificates were issued to finance the 2009A Projects of the 2009A Participating K-12 Institutions, the Series 2010B Certificates and the Series 2010C Certificates (collectively referred to as the 2010B-C Certificates) were issued to finance the 2010B-C Projects for the 2010B-C Participating K-12 Institutions, the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates (collectively referred to as the Series 2010D-F Certificates) were issued to finance the 2010D-F Projects for the 2010D-F Participating K-12 Institutions, the Series 2011G Certificates were issued to finance the 2011G Projects of the 2011G Participating K-12 Institutions, the Series 2012H Certificates were issued to finance the 2012H Projects for the 2012H Participating K-12 Institutions, the Series 2013I Certificates were issued to finance the 2013I Projects for the 2013I Participating K-12 Institutions, the Series 2017J Certificates are being issued to finance the 2017J Projects for the 2017J Participating K-12 Institutions, and the Series 2017K Certificates are being issued to refund and defease in advance of their respective maturities all of the currently Outstanding Series 2011G Certificates.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) Each Participating K-12 Institution is an Eligible K-12 Institution. Each Project is a capital construction project as defined in the Act.

(b) The Assistance Board has recommended, and the State Board has approved, the provision of financial assistance as defined in the Act, to each Participating K-12 Institution for its Project in accordance with the Act. This Lease is a Building Excellent Schools Today Lease Purchase Agreement that is being entered into by the State Treasurer on behalf of the State pursuant to instructions from the Assistance Board to the State Treasurer in order to provide financial assistance as defined in the Act to each Participating K-12 Institution for its Project approved by the Assistance Board and the

State Board in the amount approved by the Assistance Board, all in accordance with the Act.

(c) Each Participating K-12 Institution is providing Matching Moneys in the amount approved by the Assistance Board for the financial assistance provided to it pursuant to this Lease, which Matching Moneys will be credited to the Assistance Fund.

(d) The maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is greater than one-half of the maximum amount of annual lease purchase payments set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to §§ 22-43.7-110(2)(c) and 22-43.7-104(2)(b)(IV) of the Act and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements that exceed one-half of the maximum total amount of annual lease payments set forth below. The maximum total amount of annual lease payments referenced above are:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-2010 Fiscal Year;

(iii) $60 million for the 2010-2011 Fiscal Year;

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter through the 2015-16 Fiscal Year;

(v) $90 million for the 2016-17 Fiscal Year; and

(vi) $100 million for the 2017-18 Fiscal Year and for each Fiscal Year thereafter.

(e) The State will not enter into any Building Excellent Schools Today Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements to exceed the amounts permitted under paragraph (d) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(f) **[reserved]**

(g) The State Treasurer has provided written notice to the Joint Budget Committee of the Colorado General Assembly that the State Treasurer has determined that the use of interest or income on the deposit and investment of moneys in the State Public School Fund to make lease payments under a lease purchase agreement entered into pursuant to § 24-43.7-110(2) of the Act will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation. The State Treasurer has not rescinded such determination.

(h) This Lease, the financial assistance to Participating K-12 Institutions pursuant to this Lease and the financing pursuant to this Lease, the Series 2009A Certificates, the 2010B-C Certificates, the 2010D-F Certificates, the 2011G Certificates, the 2012H Certificates, the 2013I Certificates, the 2017J Certificates and the 2017K Certificates comply with the applicable provisions of the Act.

(i) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(j) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Projects pursuant to this Lease and the Indenture.

(k) This Lease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(l) The execution, delivery and performance of this Lease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this Lease, the Indenture, the Subleases, the Participation Agreements or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(m) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(n) Each Participating K-12 Institution that is a charter school is a governmental entity and a public school of a school district that is a political subdivision of the State governed by Colorado law and a Charter granted or entered into by its Chartering Authority pursuant to which the property of such charter school reverts to such Chartering Authority upon expiration or termination of such charter. The other Participating K-12 Institutions are State agencies or school districts that are political subdivisions of the State. Benefits received by the Participating K-12 Institutions and the Chartering Authorities by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions, the Chartering Authorities and the State will receive economic and other benefits by the leasing of the Leased Property by the State pursuant to this Lease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Participating K-12 Institutions, the Chartering Authorities and the State. The State expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(o) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 8.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2017J Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the Projects, the purposes for which the Leased Property will be used by the State and the Sublessees, the benefits to the State and the Sublessees from the use of the Leased Property, the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(p) The State presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the State pursuant to this Lease; but this representation does not obligate or otherwise bind the State.

(q) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(r) The State has appropriated sufficient moneys in the Assistance Fund to pay (i) the Base Rent payable in the current Fiscal Year; and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(s) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series

2017J Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Trustee demises and leases the Trustee's leasehold estate under the Site Leases in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 2.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 8.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 11.02(a) hereof.

Section 3.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

ARTICLE IV

PROJECTS OF SUBLESSEES

Section 4.01. Sublessees' Obligations to Construct Projects of Sublessees. Each Sublessee has agreed in its Sublease to construct the Project that is to improve the Leased Property subject to such Sublease in accordance with Article IV of its Sublease.

Section 4.02. State's Obligation to Construct Projects of Sublessees. The State hereby agrees (a) to cause the Project of each Sublessee to be constructed in accordance with Article IV of the applicable Sublease and (b) to comply with all of the covenants of each Sublessee set forth in Article IV of such Sublease as if Article IV of such Sublease were set forth in full in this Lease with the State named wherever the Sublessee is named.

Section 4.03. State Obligated Regardless of Sublessee's Actions. The State may comply with Section 4.02 hereof with respect to a Project by causing the Sublessee to comply with Article IV of its Sublease, but no failure of any Sublessee to comply with any provision of Article IV of its Sublease shall relieve the State of any of the State's obligations to the Trustee under Section 4.02 hereof.

ARTICLE V

RENT; EVENT OF NONAPPROPRIATION

Section 5.01. Base Rent.

(a) ***Obligation to Pay Base Rent***. The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds. The Base Rent is composed of the following components: (i) Amortizing Principal; and (ii) Series 2017J Interest. The Amortizing Principal and the Series 2017J Interest components of Base Rent (collectively, the "Total Scheduled Base Rent") are payable in the amounts and on the Base Rent Payment Dates set forth on Exhibit B. The amounts payable as Series 2017J Interest are designated and paid as, and represent payment of, interest.

(b) **[reserved]**

(c) ***Credits Against Base Rent***.

(i) The Base Rent payable on any Base Rent Payment Date shall be reduced by the following credits:

(A) any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date; and

(B) any moneys in the Interest Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the interest components of Base Rent and the total Base Rent payable on such Base Rent Payment Date.

(ii) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to clause (i) above, against components of and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the components of and total Base Rent payable on such Base Rent Payment Date accrue during such 30 day period, such amounts shall be carried over to be applied as a reduction of such components of and total Base Rent payable on the next succeeding Base Rent Payment Date.

(d) ***Application of Base Rent***. Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

(i) *first*, each payment of Base Rent designated and paid as interest, plus the amount of any past due interest on the 2017J Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal shall be deposited into the Principal Account.

Section 5.02. Additional Rent. The State shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Section 5.03. Unconditional Obligations. The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 5.04, 5.05 and 13.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Section 5.04. Event of Nonappropriation.

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (ii) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State shall furnish the Trustee with copies of all appropriation or expenditure authorization measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

Section 5.05. Limitations on Obligations of the State.

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

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate this Lease upon the occurrence of an Event of Nonappropriation.

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

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII hereof.

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, nor shall any provision of this Lease restrict the future issuance of any obligations of the State, payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

ARTICLE VI

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 6.01. Taxes, Utilities and Insurance.

(a) Except to the extent such expenses are paid by a Sublessee pursuant to its Sublease, the State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessees in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Sublessees may be liable to third parties under such Act and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any coinsurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self-insurance program.

(e) The Leased Property is not covered by the State risk management program. The Sublessees of the Leased Property have agreed in their Subleases to provide insurance required by this Section with respect to the Leased Property subject to their Subleases pursuant to the Colorado School Districts Self Insurance Pool or in another manner permitted by their Subleases. The State's obligations with respect to insurance shall only apply if and to the extent a Sublessee fails to provide the required insurance in accordance with its Sublease.

Section 6.02. Maintenance and Operation of Leased Property. The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

ARTICLE VII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under each Site Lease shall be held in the name of the Trustee, subject to such Site Lease and this Lease, until the leasehold estate in such Leased Property under such Site Lease is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this Section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

Section 7.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative of the Sublessee requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 7.04. Subleasing and Other Grants of Use. The State may sublease portions of the Leased Property to Sublessees pursuant to Subleases and such Sublessees may further sublease or otherwise grant the right to use the portion of the Leased Property subleased to it to another Person, but only if:

(a) the Sublease includes the covenant by the Sublessee described in Section 9.04 hereof;

(b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and

(c) the obligations of the State under this Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

Section 7.05. Modification of Leased Property. The State, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

Section 7.06. Substitution of Other Property for Leased Property. The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Site Lessors that leased the Leased Property to the Trustee pursuant to the Site Leases.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the appropriate Sublessee and the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the State or the Sublessee of the substituted property certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as this Lease and (ii) the substituted property is at least as essential to the State, the Sublessee or another Sublessee as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 9.04 hereof.

Section 7.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

Section 7.08. Condemnation by State. The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 hereof.

Section 7.09. Personal Property of Sublessee. The State, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property under all the Building Excellent Schools Today Lease Purchase Agreements, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VIII

STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM; SUBLESSEES' PURCHASE OPTIONS

Section 8.01. State's Option to Purchase All Leased Property in Connection with Defeasance of 2017J Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Lease in connection with the defeasance of all the 2017J 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 2017J 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 2017J 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 2017J 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 2017J Certificates; and (B) if any 2017J 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 2017J Certificates shall be substituted for the 2017J Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

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

Section 8.02. [Reserved].

Section 8.03. Conveyance of Leased Property. At the closing of any purchase of Leased Property pursuant to Section 8.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership interest in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture, the Subleases and the Site Leases; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to this Article was subject when acquired by the Trustee.

Section 8.04. Conveyance of Leased Property to State at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all the 2017J Certificates have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 hereof without any additional payment by the State.

Section 8.05. Purchase Options of Sublessees and Chartering Authorities. Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each

Sublessee and the Chartering Authority of each Sublessee that is a charter school has the option to purchase the Leased Property that is subject to its Sublease as provided in Article IX and Section 14.22 of such Sublease. The Trustee agrees to notify each Sublessee and the Chartering Authority of each Sublessee that is a charter school upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article IX and Section 14.22 of each Sublease.

ARTICLE IX

GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 9.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 9.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under this Lease or such Sublessee's execution, delivery and performance of its obligations under a Site Lease, Sublease or Matching Money Bond.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Leases by the Trustee or the performance of its obligations hereunder or thereunder.

Section 9.04. Tax Covenant of the State. The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the 2017J Certificates. The State (i) will require each Participating K-12 Institution to covenant in its Sublease or Participation Agreement that (A) such Participating K-12 Institution will not use or permit any other Person to use such Participating K-12 Institution's Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event and (B) such Participating K-12 Institution will comply with the other certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered in connection with its Sublease or Participation Agreement; and (ii) will enforce such covenant against the Participating K-12 Institution.

Section 9.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, the Projects, the Leases, the Indenture, the Certificates, the Site Leases, the Subleases, the Participation Agreements or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached hereto as Exhibit C. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

Section 9.06. Rebate Fund; Rebate Calculations. The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient to make such payment (for purposes of this Section, a "Rebate Fund shortfall"). Any Rebate Fund shortfall shall be payable on or before the date the related payment is due to the United States of America. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Section 9.07. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

Section 9.08. [Reserved]

Section 9.09. Glossary. The State hereby directs the Trustee to amend, supplement and restate the Glossary as set forth in the Series 2017J Supplemental Indenture and hereby certifies that, after such amendment, supplement and restatement, the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

ARTICLE X

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 10.01. Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

Section 10.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Lease:

(i) failure by the State to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property subject to this Lease or the Leased Property subject to any other Lease within 90 days following an Event of Nonappropriation under the applicable Lease in accordance with Section 3.02(b) of such Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 12.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(vi) the occurrence of an Event of Default under any other Lease (as the term "Event of Default" is defined in such other Lease).

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases;

(c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 hereof.

Section 11.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) hereof.

Section 11.04. No Remedy Exclusive. Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.05. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XII

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 12.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 12.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 7.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this Section with respect to transfers of the Leased Property following termination of this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. The Site Lessor that leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 hereof and of the Trustee in Section 9.03(b) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 13.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 13.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

Section 13.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or a Sublessee is required, or the Trustee, the State or a Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and for the Sublessee by the Sublessee Representative identified in the Sublessee's Sublease and the Trustee, the State and the Sublessees shall be authorized to act on any such approval or request.

Section 13.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: ryan.parsell@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, 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@zionsbank.com; and if to any Sublessee or to the Chartering Authority of any Sublessee that is a charter school, to the notice address set forth in the Sublease of such Sublessee. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 13.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 13.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 13.10. Merger. The State, the Trustee, the Site Lessors and the Sublessors intend that the legal doctrine of merger shall have no application to this Lease, any Site Lease or any Sublease and that none of the execution and delivery of this Lease by the Trustee and the State, any such Site Lease by a Site Lessor and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under this Lease, any Site Lease or any Sublease shall operate to terminate or extinguish this Lease, any Site Lease or any Sublease.

Section 13.11. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

Section 13.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.14. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 13.15. Non Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.16. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 13.17. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 13.18. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.19. Compliance with Section 2.03 of Series 2017J Supplemental Indenture. The State hereby agrees and acknowledges that any transfer of amounts from the Project Account established pursuant to Section 2.03 of the Series 2017J Supplemental Indenture to one or more Project Accounts for one or more Participating K-12 Institutions shall be made in accordance with the provisions of such Section 2.03.

[remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2017J LEASE PURCHASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, solely in its capacity as trustee under the Indenture By: ______________________________ Authorized Signatory*	**STATE OF COLORADO** **John W. Hickenlooper GOVERNOR** Department of the Treasury Walker R. Stapleton, Treasurer ______________________________ By Ryan Parsell, Deputy Treasurer
STATE OF COLORADO **John W. Hickenlooper GOVERNOR** Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ______________________________ Brandon Ates, Manager of Real Estate Programs	**LEGAL REVIEW** **Cynthia H. Coffman, Attorney General** By:______________________________ Lori Ann F. Knutson, First Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. §24-30-202 requires the State Controller to approve all State Contracts. This Lease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, MBA, CPA, JD

By:______________________________
Robert Jaros, State Controller

Date:____________________

[Signature Page to Lease Purchase Agreement]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017 by ________________, as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017, by Ryan Parsell, Deputy Treasurer, acting on behalf of the State of Colorado, acting by and through the State Treasurer.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of 2017J Lease appended to Official Statement]

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

[omitted for form of 2017J Lease appended to Official Statement]

EXHIBIT C

TRUSTEE’S FEES AND EXPENSES

[omitted for form of 2017J Lease appended to Official Statement]

(THIS PAGE INTENTIONALLY LEFT BLANK)

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017K AMENDED AND RESTATED LEASE PURCHASE AGREEMENT

by and between

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK
solely in its capacity as Trustee under the Indenture identified herein,
as lessor

and

STATE OF COLORADO,
acting by and through the State Treasurer,
as lessee

Dated as of December 7, 2017

TABLE OF CONTENTS

ARTICLE XIII
MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2017K AMENDED AND RESTATED LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2017K Amended and Restated Lease Purchase Agreement (this "Lease") is dated as of December 7, 2017, is entered into by and between ZB, National Association dba Zions Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee, and hereby amends and restates in its entirety the State of Colorado Building Excellent Schools Today Series 2011G Lease Purchase Agreement dated as of December 8, 2011 between the Trustee, as lessor, and the State, as lessee. ***Capitalized terms used but not defined in this Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2017K Supplemental Trust Indenture dated December 7, 2017 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, is authorized by the Act (a) to enter into one or more Building Excellent Schools Today Lease Purchase Agreements with a commercial bank as trustee to finance Projects for Eligible K-12 Institutions that are recommended by the Assistance Board and approved by the State Board for financing under the Act and (b) to enter into a Sublease with each such Eligible K-12 Institution with respect to the financing of its Project and, in the case of a Sublease, with respect to the subleasing of the Leased Property improved by the Eligible K-12 Institution's Project to such Eligible K-12 Institution. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to enter into a Sublease with respect to its Project and, if it is entering into a Sublease, to enter into a Sublease with respect to the Leased Property subject to such Sublease.

B. The Assistance Board has previously recommended and the State Board has previously approved the financing of the 2011G Projects for the 2011G Participating K-12 Institutions under the Act. The State Treasurer has previously entered into the 2011G Lease to finance the 2011G Projects for the 2011G Participating K-12 Institutions and has entered into a Sublease with each 2011G Participating Institution.

C. The Leased Property of each Participating K-12 Institution that is entering into a Sublease has been leased to the Trustee pursuant to a Site Lease from the Participating K-12 Institution or, in certain cases where the Participating K-12 Institution is a Charter School, the Chartering Authority of such Participating K-12 Institution. All the Leased Property has previously been leased pursuant to the 2011G Lease, and will hereafter be leased pursuant to this Lease, by the Trustee to the State Treasurer, acting on behalf of the State. This Lease is a

Building Excellent Schools Today Lease Purchase Agreement, with the Trustee, which is a commercial bank.

D. Certificates have been and will be issued pursuant to the Indenture. Proceeds of the Certificates will be used pursuant to the terms of the Indenture to refund and defease in advance of their respective maturities all of the currently Outstanding Series 2011G Certificates. The following Series of Certificates have been or are being issued pursuant to the Indenture: the Series 2009A Certificates were issued to finance the 2009A Projects of the 2009A Participating K-12 Institutions, the Series 2010B Certificates and the Series 2010C Certificates (collectively referred to as the 2010B-C Certificates) were issued to finance the 2010B-C Projects for the 2010B-C Participating K-12 Institutions, the Series 2010D Certificates, the Series 2010E Certificates and the Series 2010F Certificates (collectively referred to as the Series 2010D-F Certificates) were issued to finance the 2010D-F Projects for the 2010D-F Participating K-12 Institutions, the Series 2011G Certificates were issued to finance the 2011G Projects of the 2011G Participating K-12 Institutions, the Series 2012H Certificates were issued to finance the 2012H Projects for the 2012H Participating K-12 Institutions, the Series 2013I Certificates were issued to finance the 2013I Projects for the 2013I Participating K-12 Institutions, the Series 2017J Certificates are being issued to finance the 2017J Projects for the 2017J Participating K-12 Institutions and the Series 2017K Certificates are being issued to refund and defease in advance of their respective maturities all of the currently Outstanding Series 2011G Certificates.

<u>AGREEMENT</u>

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) Each Participating K-12 Institution is an Eligible K-12 Institution. Each Project is a capital construction project as defined in the Act.

(b) The Assistance Board has recommended, and the State Board has approved, the provision of financial assistance as defined in the Act, to each Participating K-12 Institution for its Project in accordance with the Act. This Lease is a Building Excellent Schools Today Lease Purchase Agreement that is being entered into by the State Treasurer on behalf of the State pursuant to instructions from the Assistance Board to the State Treasurer in order to provide financial assistance as defined in the Act to each

Participating K-12 Institution for its Project approved by the Assistance Board and the State Board in the amount approved by the Assistance Board, all in accordance with the Act.

(c) Each Participating K-12 Institution has provided Matching Moneys in the amount approved by the Assistance Board for the financial assistance provided to it pursuant to this Lease, which Matching Moneys will be credited to the Assistance Fund.

(d) The maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is greater than one-half of the maximum amount of annual lease purchase payments set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to §§ 22-43.7-110(2)(c) and 22-43.7-104(2)(b)(IV) of the Act and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements that exceed one-half of the maximum total amount of annual lease payments set forth below. The maximum total amount of annual lease payments referenced above are:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-2010 Fiscal Year;

(iii) $60 million for the 2010-2011 Fiscal Year;

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter through the 2015-16 Fiscal Year;

(v) $90 million for the 2016-17 Fiscal Year; and

(vi) $100 million for the 2017-18 Fiscal Year and for each Fiscal Year thereafter.

(e) The State will not enter into any Building Excellent Schools Today Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements to exceed the amounts permitted under paragraph (d) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(f) **[reserved]**

(g) The State Treasurer has provided written notice to the Joint Budget Committee of the Colorado General Assembly that the State Treasurer has determined that the use of interest or income on the deposit and investment of moneys in the State Public School Fund to make lease payments under a lease purchase agreement entered into pursuant to § 24-43.7-110(2) of the Act will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation. The State Treasurer has not rescinded such determination.

(h) This Lease, the financial assistance to Participating K-12 Institutions pursuant to this Lease and the financing pursuant to this Lease, the Series 2009A Certificates, the 2010B-C Certificates, the 2010D-F Certificates, the 2011G Certificates, the 2012H Certificates, the 2013I Certificates, the 2017J Certificates and the 2017K Certificates comply with the applicable provisions of the Act.

(i) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(j) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Projects pursuant to this Lease and the Indenture.

(k) This Lease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(l) The execution, delivery and performance of this Lease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this Lease, the Indenture, the Subleases or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(m) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(n) Each Participating K-12 Institution that is a charter school is a governmental entity and a public school of a school district that is a political subdivision of the State governed by Colorado law and a Charter granted or entered into by its Chartering Authority pursuant to which the property of such charter school reverts to such Chartering Authority upon expiration or termination of such charter. The other

Participating K-12 Institutions are State agencies or school districts that are political subdivisions of the State. Benefits received by the Participating K-12 Institutions and the Chartering Authorities by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions, the Chartering Authorities and the State will receive economic and other benefits by the leasing of the Leased Property by the State pursuant to this Lease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Participating K-12 Institutions, the Chartering Authorities and the State. The State expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(o) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 8.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2017K Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the Projects, the purposes for which the Leased Property will be used by the State and the Sublessees, the benefits to the State and the Sublessees from the use of the Leased Property, the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(p) The State presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the State pursuant to this Lease; but this representation does not obligate or otherwise bind the State.

(q) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(r) The State has appropriated sufficient moneys in the Assistance Fund to pay (i) the Base Rent payable in the current Fiscal Year; and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(s) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2017K Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Trustee demises and leases the Trustee's leasehold estate under the Site Leases in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 2.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 8.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 11.02(a) hereof.

Section 3.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

ARTICLE IV

PROJECTS OF SUBLESSEES

Section 4.01. State's Obligation to Construct Projects of Sublessees. The State hereby (a) certifies that it has caused the Project of each Sublessee to be constructed in accordance with Article IV of the applicable Sublease and (b) agrees to comply with all of the covenants of each Sublessee set forth in Article IV of such Sublease as if Article IV of such Sublease were set forth in full in this Lease with the State named wherever the Sublessee is named.

ARTICLE V

RENT; EVENT OF NONAPPROPRIATION

Section 5.01. Base Rent.

(a) ***Obligation to Pay Base Rent***. The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds. The Base Rent is composed of the following components: (i) Amortizing Principal; and (ii) Series 2017K Interest. The Amortizing Principal and the Series 2017K Interest components of Base Rent (collectively, the "Total Scheduled Base Rent") are payable in the amounts and on the Base Rent Payment Dates set forth on Exhibit B. The amounts payable as Series 2017K Interest are designated and paid as, and represent payment of, interest.

(b) **[reserved]**

(c) ***Credits Against Base Rent***.

(i) The Base Rent payable on any Base Rent Payment Date shall be reduced by the following credits:

(A) any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date; and

(B) any moneys in the Interest Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the interest components of Base Rent and the total Base Rent payable on such Base Rent Payment Date.

(ii) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to clause (i) above, against components of and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the components of and total Base Rent payable on such Base Rent Payment Date accrue during such 30 day period, such amounts shall be carried over to be applied as a reduction of such components of and total Base Rent payable on the next succeeding Base Rent Payment Date.

(d) ***Application of Base Rent***. Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

(i) *first*, each payment of Base Rent designated and paid as interest, plus the amount of any past due interest on the 2017K Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal shall be deposited into the Principal Account.

Section 5.02. Additional Rent. The State shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Section 5.03. Unconditional Obligations. The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 5.04, 5.05 and 13.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Section 5.04. Event of Nonappropriation.

(a) The officer of the State who is responsible for formulating budget proposals with respect to payment of Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (ii) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rent scheduled to be paid and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State shall furnish the Trustee with copies of all appropriation or expenditure authorization measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

Section 5.05. Limitations on Obligations of the State.

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

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate this Lease upon the occurrence of an Event of Nonappropriation.

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

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII hereof.

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, nor shall any provision of this Lease restrict the future issuance of any obligations of the State, payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

ARTICLE VI

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 6.01. Taxes, Utilities and Insurance.

(a) Except to the extent such expenses are paid by a Sublessee pursuant to its Sublease, the State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessees in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Sublessees may be liable to third parties under such Act and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any coinsurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self-insurance program.

(e) The Leased Property is not covered by the State risk management program. The Sublessees of the Leased Property have agreed in their Subleases to provide insurance required by this Section with respect to the Leased Property subject to their Subleases pursuant to the Colorado School Districts Self Insurance Pool or in another manner permitted by their Subleases. The State's obligations with respect to insurance shall only apply if and to the extent a Sublessee fails to provide the required insurance in accordance with its Sublease.

Section 6.02. Maintenance and Operation of Leased Property. The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

ARTICLE VII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under each Site Lease shall be held in the name of the Trustee, subject to such Site Lease and this Lease, until the leasehold estate in such Leased Property under such Site Lease is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this Section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

Section 7.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative of the Sublessee requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 7.04. Subleasing and Other Grants of Use. The State may sublease portions of the Leased Property to Sublessees pursuant to Subleases and such Sublessees may further sublease or otherwise grant the right to use the portion of the Leased Property subleased to it to another Person, but only if:

(a) the Sublease includes the covenant by the Sublessee described in Section 9.04 hereof;

(b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and

(c) the obligations of the State under this Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

Section 7.05. Modification of Leased Property. The State, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

Section 7.06. Substitution of Other Property for Leased Property. The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Site Lessors that leased the Leased Property to the Trustee pursuant to the Site Leases.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the appropriate Sublessee and the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the State or the Sublessee of the substituted property certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as this Lease and (ii) the substituted property is at least as essential to the State, the Sublessee or another Sublessee as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 9.04 hereof.

Section 7.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

Section 7.08. Condemnation by State. The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 hereof.

Section 7.09. Personal Property of Sublessee. The State, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property under all the Building Excellent Schools Today Lease Purchase Agreements, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VIII

STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM; SUBLESSEES' PURCHASE OPTIONS

Section 8.01. State's Option to Purchase All Leased Property in Connection with Defeasance of 2017K Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Lease in connection with the defeasance of all the 2017K 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 2017K 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 2017K 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 2017K 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 2017K Certificates; and (B) if any 2017K 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 2017K Certificates shall be substituted for the 2017K Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

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

Section 8.02. [Reserved].

Section 8.03. Conveyance of Leased Property. At the closing of any purchase of Leased Property pursuant to Section 8.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership interest in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture, the Subleases and the Site Leases; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to this Article was subject when acquired by the Trustee.

Section 8.04. Conveyance of Leased Property to State at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all the 2017K Certificates have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 hereof without any additional payment by the State.

Section 8.05. Purchase Options of Sublessees and Chartering Authorities. Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each Sublessee and the Chartering Authority of each Sublessee that is a charter school has the option to purchase the Leased Property that is subject to its Sublease as provided in Article IX and Section 14.22 of such Sublease. The Trustee agrees to notify each Sublessee and the Chartering Authority of each Sublessee that is a charter school upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article IX and Section 14.22 of each Sublease.

ARTICLE IX

GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 9.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 9.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under this Lease or such Sublessee's execution, delivery and performance of its obligations under a Site Lease, Sublease or Matching Money Bond.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Leases by the Trustee or the performance of its obligations hereunder or thereunder.

Section 9.04. Tax Covenant of the State. The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the 2017K Certificates. The State (i) will require each Participating K-12 Institution to covenant in its Sublease that (A) such Participating K-12 Institution will not use or permit any other Person to use such Participating K-12 Institution's Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event and (B) such Participating K-12 Institution will comply with the other certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered in connection with its Sublease; and (ii) will enforce such covenant against the Participating K-12 Institution.

Section 9.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, the Projects, the Leases, the Indenture, the Certificates, the Site Leases, the Subleases or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached hereto as Exhibit C. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

Section 9.06. Rebate Fund; Rebate Calculations. The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient to make such payment (for purposes of this Section, a "Rebate Fund shortfall"). Any Rebate Fund shortfall shall be payable on or before the date the related payment is due to the United States of America. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Section 9.07. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

Section 9.08. [Reserved]

Section 9.09. Glossary. The State hereby directs the Trustee to amend, supplement and restate the Glossary as set forth in the Series 2017K Supplemental Indenture and hereby certifies that, after such amendment, supplement and restatement, the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

ARTICLE X

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 10.01. Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

Section 10.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Lease:

(i) failure by the State to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property subject to this Lease or the Leased Property subject to any other Lease within 90 days following an Event of Nonappropriation under the applicable Lease in accordance with Section 3.02(b) of such Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 12.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(vi) the occurrence of an Event of Default under any other Lease (as the term “Event of Default” is defined in such other Lease).

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases;

(c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 hereof.

Section 11.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) hereof.

Section 11.04. No Remedy Exclusive. Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.05. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XII

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 12.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 12.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 7.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this Section with respect to transfers of the Leased Property following termination of this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. The Site Lessor that leased Leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 hereof and of the Trustee in Section 9.03(b) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 13.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 13.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

Section 13.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or a Sublessee is required, or the Trustee, the State or a Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and for the Sublessee by the Sublessee

Representative identified in the Sublessee's Sublease and the Trustee, the State and the Sublessees shall be authorized to act on any such approval or request.

Section 13.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: ryan.parsell@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, 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@zionsbank.com; and if to any Sublessee or to the Chartering Authority of any Sublessee that is a charter school, to the notice address set forth in the Sublease of such Sublessee. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 13.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 13.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 13.10. Merger. The State, the Trustee, the Site Lessors and the Sublessors intend that the legal doctrine of merger shall have no application to this Lease, any Site Lease or any Sublease and that none of the execution and delivery of this Lease by the Trustee and the State, any such Site Lease by a Site Lessor and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under this Lease, any Site Lease or any Sublease shall operate to terminate or extinguish this Lease, any Site Lease or any Sublease.

Section 13.11. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

Section 13.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.14. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 13.15. Non Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.16. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S.

§ 39-21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 13.17. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 13.18. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2017K AMENDED AND RESTATED LEASE PURCHASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, solely in its capacity as trustee under the Indenture By: ______________________________ Authorized Signatory*	**STATE OF COLORADO** **John W. Hickenlooper GOVERNOR** Department of the Treasury Walker R. Stapleton, Treasurer ______________________________ By Ryan Parsell, Deputy Treasurer
STATE OF COLORADO **John W. Hickenlooper GOVERNOR** Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ______________________________ Brandon Ates, Manager of Real Estate Programs	**LEGAL REVIEW** **Cynthia H. Coffman, Attorney General** By:______________________________ Lori Ann F. Knutson, First Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. §24-30-202 requires the State Controller to approve all State Contracts. This Lease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, MBA, CPA, JD

By:______________________________
Robert Jaros, State Controller

Date:____________________

[Signature Page to 2017K Amended and Restated Lease Purchase Agreement]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017 by _______________, as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of December, 2017, by Ryan Parsell, Deputy Treasurer, acting on behalf of the State of Colorado, acting by and through the State Treasurer.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of 2017K Lease appended to Official Statement]

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

[omitted for form of 2017K Lease appended to Official Statement]

EXHIBIT C

TRUSTEE'S FEES AND EXPENSES

[omitted for form of 2017K Lease appended to Official Statement]

(THIS PAGE INTENTIONALLY LEFT BLANK)

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SITE LEASE OF [NAME OF SITE LESSOR]

by and between

____________________,
as site lessor

and

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK,
solely in its capacity as Trustee under the Indenture identified herein,
as site lessee

Dated as of December 7, 2017

TABLE OF CONTENTS

Page

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SITE LEASE OF __________________________________

This State of Colorado Building Excellent Schools Today Site Lease (this "Site Lease") is dated as of December 7, 2017 and is entered into by and between ________________________________ (the "Site Lessor"), as lessor, and ZB, National Association dba Zions Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessee. ***Capitalized terms used but not defined in this Site Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated December 7, 2017 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The Site Lessor owns the land described in attached Exhibit A hereto (the "Land") and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the "Leased Property").

B. The Site Lessor is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, will lease the Leased Property from the Trustee pursuant to the 2017J Lease.

C. The State Treasurer, on behalf of the State, on the instructions of the Assistance Board and as authorized under the Act, will sublease the Leased Property to the Sublessee identified in the Sublease under which the Leased Property is subleased to such Sublessee. Proceeds of the Series 2017J Certificates issued pursuant to the Indenture will be used to finance the Project of such Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by Site Lessor. The Site Lessor certifies, represents and agrees that:

(a) The Site Lessor is a Participating K-12 Institution or is the Chartering Authority for a Participating K-12 Institution that is a charter school.

(b) The Site Lessor is duly organized, validly existing and in good standing under Colorado law. The Site Lessor is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to lease the Leased Property to the Trustee pursuant to this Site Lease and to execute, deliver and perform its obligations under this Site Lease.

(c) The Site Lessor is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(d) The Site Lessor has received all approvals and consents required for the Site Lessor's execution, delivery and performance of its obligations under this Site Lease.

(e) This Site Lease has been duly executed and delivered by the Site Lessor and is enforceable against the Site Lessor in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of this Site Lease does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Site Lessor is now a party or by which the Site Lessor is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Site Lessor, or, except as specifically provided in the 2017J Lease, the Indenture and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or to a charter school for which the Site Lessor is the Chartering Authority, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Site Lessor.

(g) There is no litigation or proceeding pending or threatened against the Site Lessor or any other Person affecting the right of the Site Lessor to execute, deliver or perform the obligations of the Site Lessor under this Site Lease.

(h) The Site Lessor will receive economic and other benefits by the leasing of the Leased Property by the Site Lessor pursuant to this Site Lease. The initial Leased Property leased pursuant to this Site Lease is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Site Lessor or a Participating K-12 Institution for which the Site Lessor is the Chartering Authority. The Site Lessor expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Site Lease Term.

(i) The Site Lessor is not aware of any current violation of any Requirement of Law relating to the Leased Property and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

(j) Minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property that exist with respect to the Leased Property do not materially impair title to the Leased Property.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Site Lessor demises and leases the land described in Exhibit A hereto (the "Land" for purposes of this Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of this Site Lease) to the Trustee in accordance with the terms of this Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Section 2.02. Enjoyment of Leased Property. The Site Lessor covenants that, during the Site Lease Term and so long as no Event of Default hereunder shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by this Site Lease.

ARTICLE III

SITE LEASE TERM; TERMINATION OF SITE LEASE

Section 3.01. Site Lease Term.

(a) The Site Lease Term shall commence on the date this Site Lease is executed and delivered and shall expire upon the earliest of any of the following events:

(i) December 7, 2067;

(ii) conveyance of the Leased Property to the Site Lessor pursuant to the Sublease relating to the Leased Property;

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof; or

(iv) cancellation of the Sublease pursuant to which the Leased Property is subleased pursuant to Section 3.03 of such Sublease.

Section 3.02. Effect of Termination of Site Lease Term. Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee hereunder shall terminate, but all obligations of the Trustee that have accrued hereunder prior to such termination shall continue until they are discharged in full.

ARTICLE IV

SITE LESSOR IS THIRD PARTY BENEFICIARY OF CERTAIN COVENANTS OF STATE IN 2017J LEASE

The Site Lessor and its successors and assigns are intended third party beneficiaries of the covenants of the State in Articles VI and VII and Section 9.02, 9.03(b) and 12.02 and of the Trustee in Section 9.03(a) of the 2017J Lease (the "Site Lessor Protection Provisions"). If the 2017J Lease is terminated for any reason, this Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, as a condition to such lease, sublease or assignment, the lessee, sublessee or assignee must execute an instrument, in form and substance reasonably satisfactory to the Site Lessor, that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third party beneficiaries of such covenants. Any provision of this Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under this Article.

ARTICLE V

RENT

The Trustee is not obligated to pay any rent under this Site Lease. The consideration to the Site Lessor for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2017J Certificates into the Project Account held by the Trustee under the Indenture to finance the Project of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority. The provisions of Article IV of this Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the 2017J Lease or an amount equal to the Additional Rent that would have been paid under the 2017J Lease under another instrument executed and delivered pursuant to Article IV of this Site Lease.

ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property. Title to the Leased Property shall be held in the name of the Site Lessor, subject to this Site Lease, the 2017J Lease and the Sublease of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property. Except as otherwise permitted in this Article or Article VII or VIII hereof and except for Permitted Encumbrances, the Site Lessor shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

Section 6.03. Granting of Easements. The Site Lessor shall, at the request of the Trustee or the State consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 7.03 of the 2017J Lease.

Section 6.04. Subleasing and Other Grants of Use. The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the 2017J Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority as Sublessee pursuant to a Sublease. The Trustee is expressly authorized to lease or sublease the Leased Property to or create other interests in the Leased Property for the benefit of any other Person or Persons in connection with the exercise of the Trustee's remedies under the 2017J Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2017J Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2017J Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2017J Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

Section 6.06. Property Damage, Defect or Title Event. If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the 2017J Lease.

Section 6.07. Condemnation by State or Site Lessor. In the event the State brings an eminent domain or condemnation proceeding with respect to the Leased Property and the 2017J Lease has not terminated, the terms of Section 7.08 of the 2017J Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to the Leased Property and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority has not terminated, the terms of Section 8.08 of such Sublease shall apply. If (a) the 2017J Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority are terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease to a governmental entity that has eminent domain or condemnation powers, such lease or sublease shall include a provision similar to Section 7.08 of the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 6.08. Personal Property of Trustee, State and Others. The Trustee, the State, the Sublessee and any other Person who has the right to use the Leased Property under this Site Lease, the 2017J Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VII

LICENSES AND SHARED UTILITIES

Section 7.01. Access Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the “Access Area”) for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee’s use of the Leased Property.

Section 7.02. Appurtenant Staging Areas Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the “Appurtenant Staging Area”) for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

Section 7.03. Offsite Parking Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the Site Lessor but not included in the Leased Property (the "Offsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Site Lessor reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the "Onsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Onsite Parking Area similar to those implemented and enforced by the Site Lessor with respect to the Offsite Parking Area.

Section 7.04. Shared Utilities. The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by Site Lessor to the Leased Property on the date hereof on a continuous basis except for periods of repair. The Site Lessor shall be entitled to reimbursement for its actual and reasonable costs incurred in providing such utilities, determined in a fair and reasonable manner based on the use of such utilities by the Leased Property or portions thereof, the operational, maintenance and repair costs of such utilities elements and any costs to acquire or relocate any easements or lines relating to or used in connection with the operation of such utilities. Pursuant to the 2017J Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2017J Lease. Pursuant to the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, the Sublessee under such Sublease, has agreed to reimburse the State for such costs during the Sublease Term of such Sublease. If, (a) the 2017J Lease is terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Assurances and Corrective Instruments. So long as this Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided herein and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 8.02. Compliance with Requirements of Law. On and after the date hereof, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

Section 8.03. Participation in Legal Actions. At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action in which the Trustee or the State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under this Site Lease or the State's execution, delivery and performance of its obligations under the 2017J Lease.

ARTICLE IX

LIMITS ON OBLIGATIONS

Section 9.01. Disclaimer of Warranties. THE SITE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Site Lessor be liable for any incidental, special or consequential damage in connection with or arising out of this Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for herein.

Section 9.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Event of Default Defined. An "Event of Default" under this Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that:

(a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and

(b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part herein contained the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

Section 10.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps:

(a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the purchase option of the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority;

(c) enforce any provision of this Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 9.02 hereof.

Section 10.03. No Remedy Exclusive. Subject to Section 9.02 hereof, no remedy herein conferred upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Site Lessor to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 10.04. Waivers. The Site Lessor may waive any Event of Default under this Site Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01. Assignment by Site Lessor. The Site Lessor shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under this Site Lease.

Section 11.02. Transfer of the Trustee's Interest in Lease and Leased Property Prohibited. Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property and Section 6.05 hereof with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 11.03. Conveyance of Leased Property to State Pursuant to 2017J Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the 2017J Lease or any Sublease, upon conveyance of all the Leased Property subject to the 2017J Lease by the Trustee to the State pursuant to Article VIII of the 2017J Lease and conveyance of the Leased Property subject to this Site Lease by the State to the Sublessee pursuant Section 9.03 of the Sublease applicable to such Leased Property: (a) if the Site Lessor under this Site Lease and the Sublessee under such Sublease are the same, this Site Lease shall terminate; and (b) if the Site Lessor under this Site Lease and the Sublessee are not the same, this Site Lease shall continue with the Sublessee succeeding to the rights and obligations of the Trustee under this Site Lease.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the 2017J Lease and the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, subject, however, to the limitations set forth in Article XI hereof. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Site Lease.

Section 12.02. Interpretation and Construction. This Site Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Site Lease. For purposes of this Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Site Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Site Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Site Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 12.03. Acknowledgement of 2017J Lease and Sublease. The Trustee has received a copy of, and acknowledges the terms of, the 2017J Lease and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 12.04. Trustee, State and Site Lessor Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Site Lessor by the Site Lessor Representative and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request. The Site Lessor Representative is the ____________________ of the Site Lessor or any Person appointed as Site Lessor Representative by such Person.

Section 12.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Site Lessor, to ______________________, Attention: Superintendent, facsimile number: ________, electronic mail address: __________; if to the Trustee, to 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@zionsbank.com; and if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: ryan.parsell@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 Site Lessor or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 12.07. Amendments, Changes, Modifications and Release. Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified, altered or released by a written instrument executed by the Site Lessor and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to or release of this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment or release does not violate the Indenture or the Leases.

Section 12.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

Section 12.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

Section 12.10. Merger. The State, the Site Lessor, the Trustee and any Sublessee that leases the Leased Property intend that the legal doctrine of merger shall have no application to this Site Lease, the 2017J Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the 2017J Lease by the Trustee and the State or such Sublease by the State and the Sublessee or the exercise of any remedies by any party under this Site Lease, the 2017J Lease or such Sublease shall operate to terminate or extinguish this Site Lease, the 2017J Lease or such Sublease.

Section 12.11. Severability. In the event that any provision of this Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

Section 12.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Site Lease. Any provision of this Site Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 12.14. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.15. Value of Land. The Site Lessor estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is $______________.

IN WITNESS WHEREOF, the Trustee and the Site Lessor have executed this Site Lease as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, solely in its capacity as trustee under the Indenture

By ____
Authorized Signatory

[DISTRICT SEAL]

[_____________________]

By ____
Title:______________________________

ATTEST:

By __________________________________
Secretary

[Signature Page to Site Lease of _______________]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of December, 2017 by ____, as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
COUNTY OF ________________)

The foregoing instrument was acknowledged before me this ___ day of December, 2017, by ___________________________, as ____________________ of ____________________.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of 2017J Site Lease appended to Official Statement]

(THIS PAGE INTENTIONALLY LEFT BLANK)

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF SUBLESSEE]

by and between

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

and

PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD,
acting on behalf of the State of Colorado,
both as sublessor

and

________________________,
as the Sublessee

[and

[if Sublessee is a charter school, insert name of Chartering Authority],
as the Sublessee's Chartering Authority]

Dated as of December 7, 2017

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

ARTICLE I
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

ARTICLE II
DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

ARTICLE III
SUBLEASE TERM; TERMINATION OF SUBLEASE TERM

ARTICLE IV
PROJECT

ARTICLE V
MATCHING MONEYS

ARTICLE VI
RENT; EVENT OF NONAPPROPRIATION

ARTICLE VII
OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

ARTICLE VIII
TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

ARTICLE IX
SUBLESSEE’S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

ARTICLE X
GENERAL COVENANTS

ARTICLE XI
LIMITS ON OBLIGATIONS OF STATE

ARTICLE XII
EVENTS OF DEFAULT AND REMEDIES

ARTICLE XIII
TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

ARTICLE XIV
MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF INSTITUTION]

This State of Colorado Building Excellent Schools Today Sublease of [name of sublessee] (this "Sublease") is dated as of December 7, 2017 and is entered into by and between the State of Colorado, acting by and through the State Treasurer, and the Public School Capital Construction Assistance Board, acting on behalf of the State (collectively, the "State"), both as sublessor, [and] _________, as sublessee (the "Sublessee") [, and ____________, as the Sublessee's Chartering Authority]. ***Capitalized terms used but not defined in this Sublease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated December 7, 2017 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The Sublessee or the Sublessee's Chartering Authority has leased the Leased Property to the Trustee pursuant to a Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, has leased the Leased Property from the Trustee pursuant to the 2017J Lease.

B. The State, acting by and through the State Treasurer on the instructions of the Assistance Board set forth in Assistance Board Resolution No. 17-1 and as authorized under the Act, and the Assistance Board, acting on behalf of the State and as authorized under the Act, will sublease the Leased Property to the Sublessee pursuant to this Sublease; and the Sublessee is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, sublease the Leased Property from the State pursuant to this Sublease.

C. To satisfy the Sublessee's obligation to pay Matching Moneys to the State with respect to the Sublessee's Project, the Sublessee, in accordance with Article V hereof, has delivered a Matching Moneys Bond or agreed to pay cash, Matching Moneys Installment Payments or Base Rent to the State.

D. Proceeds of the 2017J Certificates issued pursuant to the Indenture will be used to finance the Project of the Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Certifications, Representations and Agreements by State. The State hereby certifies, represents and agrees that:

(a) The State Treasurer, pursuant to § 22-43.7-110(2)(f) of the Act, has reviewed this Sublease and, by executing this Sublease, is providing written authorization to the Assistance Board to enter into it. The State Treasurer, acting on behalf of the State, is entering into this Sublease pursuant to the instructions of the Assistance Board set forth in Assistance Board Resolution No. 17-1.

(b) The State is authorized under the Act to lease the Leased Property to the Sublessee pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(c) This Sublease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the terms of this Sublease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2017J Lease, the Indenture, this Sublease or the Sublessee's Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(e) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform its obligations of the State under this Sublease.

Section 1.02. Certifications, Representations and Agreements by Sublessee. The Sublessee certifies, represents and agrees that:

(a) The Sublessee is an Eligible K-12 Institution and is duly organized, validly existing and in good standing under Colorado law. The Sublessee is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to sublease the Leased Property from the State pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(b) The Sublessee's Project is a capital construction project as defined in the Act and all moneys requisitioned from the Sublessee's Project Account pursuant to Section 4.10 hereof will be used to pay costs of capital construction as defined in the Act.

(c) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly authorized by the Governing Body of the Sublessee.

(d) The Sublessee has received all approvals and consents required for the Sublessee's execution, delivery and performance of its obligations under this Sublease and, if applicable, the Sublessee's Matching Moneys Bond.

(e) This Sublease and, if applicable, the Sublessee's Matching Moneys Bond have been duly executed and delivered by the Sublessee and are valid and binding obligations enforceable against the Sublessee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(f) The execution, delivery and performance of this Sublease and, if applicable, the Sublessee's Matching Moneys Bond do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Sublessee is now a party or by which the Sublessee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Sublessee, or, except as specifically provided in the 2017J Lease, the Indenture, this Sublease or the Site Lease pursuant to which the Leased Property is leased to the Trustee or, if applicable, the Sublessee's Matching Moneys Bond result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Sublessee.

(g) There is no litigation or proceeding pending or threatened against the Sublessee affecting the right of the Sublessee to execute, deliver or perform its obligations under this Sublease or, if applicable, the Sublessee's Matching Moneys Bond.

(h) The Sublessee will receive economic and other benefits by the subleasing of the Leased Property by the Sublessee pursuant to this Sublease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Sublessee. The Sublessee expects that the Leased Property will adequately serve the needs for which it is being subleased throughout the Scheduled Sublease Term.

(i) The Sublessee's Proportionate Share of the Base Rent payable by the State under the 2017J Lease in each Fiscal Year during the Lease Term of the 2017J Lease is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year.

(j) The sum of the Rent payable by the Sublessee under this Sublease and, as applicable, the principal, premium, if any, and interest payable by the Sublessee under its Matching Moneys Bond or the Matching Moneys Installment Payments payable by the Sublessee in each Fiscal Year during the Sublease Term is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year and does not exceed a reasonable amount so as to place the Sublessee under an economic compulsion to take one of the following actions in order to avoid forfeiting such excess (i) to continue this Sublease beyond any Fiscal Year, (ii) not to exercise its right to terminate this Sublease at any time through an Event of Nonappropriation or (iii) to exercise its option to purchase the Leased Property hereunder. The Sublessee's Purchase Option Price pursuant to Section 9.01 hereof is the Sublessee's current best estimate of the fair purchase price of the Leased Property that will be in effect at the time of exercise of the Sublessee's option to purchase the Leased Property pursuant to such Section. The Scheduled Sublease Term of this Sublease does not exceed the weighted average useful life of the improvements or any other real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection and the immediately preceding subsection of this Section, the Sublessee has given due consideration to the Sublessee's Project, the purposes for which the Leased Property will be used by the Sublessee, the benefits to the Sublessee from the use of the Leased Property, the Sublessee's option to purchase the Leased Property hereunder and the terms of this Sublease governing the use of the Leased Property.

(k) The Sublessee presently intends and expects to continue the Sublease Term annually until title to the Leased Property is acquired by the Sublessee pursuant to this Sublease; but this representation does not obligate or otherwise bind the Sublessee.

(l) The Sublessee is not aware of any current violation of any Requirement of Law relating to the Leased Property and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

(m) The Governing Body of the Sublessee has appropriated sufficient moneys to pay the Additional Rent estimated to be payable hereunder in the current Fiscal Year and, as applicable, the Base Rent, the principal and interest payable under its Matching Moneys Bond or the Matching Moneys Installment Payments payable in the current Fiscal Year.

(n) The certifications, representations and agreements with respect to federal income tax matters set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease are hereby incorporated in this Sublease as if set forth in full in this subsection.

(o) The Sublessee has not, except as otherwise specifically provided herein, entered into any agreement or arrangement to transfer to any Person all or any portion of its interest in the Leased Property or to any fee title that it may obtain in the real estate to which the Leased Property relates.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The State demises and leases the State's leasehold estate under the 2017J Lease in the land described in Exhibit A hereto (the "Land" for purposes of this Sublease) and the buildings, structures and improvements now or hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Sublease) to the Sublessee in accordance with the terms of this Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

Section 2.02. Enjoyment of Leased Property. The State covenants that, during the Sublease Term and so long as no Event of Default hereunder shall have occurred, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by this Sublease.

ARTICLE III

SUBLEASE TERM; TERMINATION OF SUBLEASE TERM

Section 3.01. Sublease Term.

(a) The Sublease Term is the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Sublease Term shall expire upon the earliest of any of the following events:

(i) termination of the 2017J Lease in accordance with its terms;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under this Sublease has occurred; or

(iii) termination of this Sublease following an Event of Default under this Sublease in accordance with Section 12.02(a) hereof.

Section 3.02. Effect of Termination of Sublease Term. Upon termination of the Sublease Term:

(a) all unaccrued obligations of the Sublessee under this Sublease shall terminate, but all such obligations of the Sublessee that have accrued hereunder prior to such termination shall continue until they are discharged in full;

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default under this Sublease or because of the termination of the 2017J Lease as a result of an Event of Nonappropriation or an Event of Default under the 2017J Lease, the Sublessee's right to possession of the Leased Property hereunder shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Base Rent, if applicable, and Additional Rent payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Base Rent, if applicable, to the State and Additional Rent to the Person entitled thereto; and

(c) the obligations of the Sublessee to make payments under the Sublessee's Matching Moneys Bond or Matching Money Installment Payments, as applicable, shall continue until, as applicable, all amounts payable under the Sublessee's Matching Moneys Bond have been paid or the Sublessee's Matching Moneys Bond is redeemed or cancelled in accordance with its terms or all Matching Moneys Installment Payments have been paid.

Section 3.03. Cancellation of Sublease by State. Notwithstanding any other provision hereof, the State, in its sole discretion, may cancel this Sublease at any time if, on or before December 7, 2018, (a) the Trustee has not received the title insurance policy for the Leased Property described in paragraph 1 of the form of Requisition attached as Appendix B to the 2017J Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture) and (b) the Sublessee has not entered into and does not have a reasonable expectation that it will enter into one or more Project Contracts for the Sublessee's Project as described in paragraph 2 of the form of Requisition attached as Appendix B to the 2017J Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture). The State shall deliver written notice to the Sublessee specifying the effective date of any such cancellation at least 15 days prior to the effective date of the cancellation. Upon cancellation, the Sublessee shall have no further rights under this Sublease, the State may direct the Trustee to use the moneys in the Sublessee's Project Account for the Costs of another Project or for any purpose permitted under the Indenture, the State shall cause the Trustee to cancel and release the Site Lease pursuant to which the Leased Property has been leased to the Trustee and the State shall return to the Sublessee any Matching Moneys paid to the State (including any principal or interest paid on the Sublessee's Matching Money's Bond) and cancel and return to the Sublessee the Sublessee's Matching Moneys Bond.

ARTICLE IV

PROJECT

Section 4.01. Sublessee to Construct Project in Accordance with Specifications. The Sublessee shall construct the Project (the "Work") in accordance with the Specifications attached hereto as Exhibit B, with such changes in the Specifications, if any, that are approved by the

State in writing. In connection with the Work, Sublessee shall provide progress reports to the State prior to the last Business Day of each month

Section 4.02. Completion Date.

(a) The Sublessee shall cause the Work to be done promptly and with due diligence and shall use its best efforts to cause the Completion Date to occur by the third anniversary of this Sublease (the "Scheduled Completion Date"). The "Completion Date" is the date the Sublessee delivers a certificate (the "Completion Certificate") to the State and the Trustee (i) stating that to the best of the Sublessee's knowledge, based upon the representations of contractors, architects, engineers, vendors or other consultants, (A) the Project has been completed in accordance with Section 4.01 hereof and (B) except for any amounts estimated by the Sublessee to be necessary for payment of any Costs of the Project not then due and payable and costs of the Project included in requisitions that have been submitted to the Trustee but have not yet been paid by the Trustee, all Costs of the Project have been paid; (ii) stating that the real property improved by the Project has been insured in accordance with Section 7.01 hereof in the dollar amount set forth in such certificate or the certificate of insurance attached thereto; and (iii) to which is attached a certificate of insurance in which the insurer certifies that the real property improved by the Project has been insured by such insurer in the dollar amount set forth therein.

(b) If the Completion Date does not occur by the Scheduled Completion Date for any reason other than Force Majeure, the State or the Trustee, with the consent of the State, may, but shall not be required to, retain a Person other than the Sublessee to complete the Project and recover from the Sublessee all reasonable costs incurred by or on behalf of the State or the Trustee in completing the Project.

Section 4.03. Contractor Guarantees. The Sublessee shall cause each Contractor with which the Sublessee contracts directly to guarantee all Work performed by it or any subcontractor or other Person performing Work on its behalf against defective workmanship and materials for a period of one year after the Completion Date, provided that such one year period shall not begin with respect to any item that is not completed on the Completion Date until such item is completed. The Sublessee shall assign to the State any guarantee of workmanship and materials which it may receive but shall retain the right to enforce such guarantee directly.

Section 4.04. Performance and Payment Bonds. The Sublessee shall require that each Contractor provide a performance bond and a separate labor and material payment bond, each of which shall (a) be executed by a corporate surety licensed to do business in the State, (b) be in customary form, (c) be in the amount payable to such Contractor pursuant to its Project Contract and (d) be payable to the Sublessee. If, at any time prior to completion of the Work covered by any such bond, the surety shall be disqualified from doing business within the State, a new bond shall be provided from an alternate surety licensed to do business in the State. The amount of each bond shall be increased or decreased, as appropriate, to reflect changes to the Specifications orders under Section 4.01 hereof. A copy of each such bond and all modifications thereto shall be furnished to the State within 60 days of the effective date of the related Project Contract. The Sublessee hereby assigns its rights to any proceeds under such bonds to the State and the Trustee.

Section 4.05. Builder's Risk Completed Value Insurance. The Sublessee shall procure and maintain, at its own cost and expense, until the property to which such insurance relates is insured by the Sublessee pursuant to Section 7.01 hereof or, if Section 7.01 does not apply because the property improved by the Project is not included in the Leased Property, until the Project is completed, standard, all risk of loss builder's risk completed value insurance upon property included in or that is imposed by the Project. A certificate of insurance evidencing such insurance shall be provided to the State.

Section 4.06. General Public Liability and Property Damage Insurance. The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, during such Contractor's Project Contract, standard form comprehensive general public liability and property damage insurance that covers all claims for bodily injury, including death, and claims for destruction of or damage to the property (other than the Work itself), arising out of or in connection with any operations under the Contractor's Project Contract, whether such operations be by the Contractor or by a subcontractor. The insurance shall include the limits and coverage specified for the State of Colorado, Office of the State Architect, State Buildings Programs. Such policies shall include the State and the Trustee as additional insureds and shall include a provision prohibiting cancellation, termination or alteration except pursuant to the policy. A certificate of insurance evidencing such insurance shall be provided to the State with respect to each Contractor within 60 days of the effective date of the related Project Contract.

Section 4.07. Workers' Compensation Insurance. The Sublessee shall require that each Contractor procure and maintain, at its own cost and expense, workers' compensation insurance as required by Colorado law during the term of its contract, covering all persons working under its Project Contract. Such insurance shall contain a provision that such coverage shall not be canceled, terminated or altered without 30 days' prior written notice to the State and the Trustee. Certificates evidencing such coverage shall be provided to the State.

Section 4.08. Defaults Under Project Contracts. In the event of any default under any Project Contract, or in the event of a breach of warranty with respect to any materials, workmanship or performance or other Work, which default or breach results in frustration of the purpose for which the property improved by the Project was intended, the Sublessee shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies, including any remedy against the surety of any bond securing the performance of the Project Contract.

Section 4.09. Assignment of Rights Under Project Contracts. The Sublessee hereby assigns to the State and the Trustee, and each Project Contract shall expressly provide that the State and the Trustee shall have, the right to enforce each Project Contract against the Contractor (a) following termination of this Sublease and (b) in any case where, in the reasonable judgment of the State or the Trustee, with the consent of the State, the Sublessee has failed to enforce the terms of such Project Contract in a manner consistent with the obligations of the Sublessee under this Sublease.

Section 4.10. Costs of the Project.

(a) The Sublessee, with the approval of the State, may withdraw available money from the Sublessee's Project Account in an amount up to the proceeds of the Series 2017J Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to the Indenture to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Trustee a Requisition in the form of Appendix B to the 2017J Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture), signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative. If more than one Project Account has been established pursuant to the Indenture to pay Costs of the Sublessee's Project, the term Project Account in this subsection shall include all such Project Accounts and moneys shall be withdrawn from such Project Accounts pursuant to this subsection in the order provided in the Indenture. The Sublessee shall provide the Assistance Board with all documentation for each submitted Requisition including individual invoices, detail on the State approved line item budget being expended, a summary of invoice categories, detail of any necessary budget adjustments and any other information requested or required by the Assistance Board to justify the expenditure and verify budget items for the Project.

(b) If the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by delivering a cash payment and if Exhibit D hereto states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, after the Sublessee has withdrawn all moneys that it may withdraw from the Sublessee's Project Account pursuant to subsection (a) of this Section, the Sublessee, with the approval of the State, may withdraw money from the Assistance Fund in an amount up to the amount specified in Exhibit D hereto to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Assistance Board a Requisition in the form of Exhibit E hereto, signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative.

(c) Upon and effective on each date a Requisition is signed and delivered to the Trustee pursuant to subsection (a) of this Section or to the Assistance Board pursuant to subsection (b) of this Section, the representations of the Sublessee set forth in such Requisition are incorporated in this Sublease as if set forth herein in full.

(d) The Sublessee shall submit a final Requisition to the Trustee pursuant to subsection (a) of this Section or to the Assistance Board pursuant to subsection (b) of this Section, as applicable, no later than six months after the Scheduled Completion Date unless otherwise approved by the State.

Section 4.11. Excess Costs and Project Account Balances. The Sublessee shall pay all Costs of the Project that exceed the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof from sources other than money withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section

4.10 hereof. If the Costs of the Project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof, such moneys shall be transferred to the State Expense Fund.

Section 4.12. Compliance with Tax Certificate. The Sublessee shall comply with the provisions of the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease that are applicable to the construction of the Project, including but not limited to, if the Tax Compliance Certificate provides that such standards are applicable to the Sublessee's Project, complying with the prevailing wage standards under 40 U.S.C. § 3141 (sometimes referred to as the Davis-Bacon Act).

Section 4.13. Records and Progress Reports. The Sublessee shall maintain copies of all requisition forms and Project Contracts, including but not limited to subcontracts, purchase orders and procurement documents, and provide copies to the State and the Assistance Board upon request. All such documents and records relating to the Project shall be retained by the Sublessee during the term of this Sublease and shall be provided to the State upon request. The Trustee is required under the Indenture to provide to the Sublessee at its request an accounting of all receipts and disbursements from the Sublessee's Project Account. The Sublessee shall provide monthly progress reports to the Assistance Board, which progress reports shall provide at a minimum, photos of the Project, a current line item budget, a current Project budget compared to the State approved Project budget, and an updated Project schedule compared to the State approved Project schedule.

ARTICLE V

MATCHING MONEYS

Section 5.01. Sublessee's Obligation to Pay Matching Moneys. Certain information regarding the Sublessee's obligation to pay Matching Moneys with respect to its Project is set forth in Exhibit D hereto.

(a) ***No Matching Moneys***. If Exhibit D hereto provides that there are no Matching Moneys, the Sublessee is not obligated to pay Matching Moneys with respect to its Project.

(b) ***Cash Payment***. If Exhibit D hereto provides that the source of Matching Moneys is a cash payment, the Sublessee has satisfied its obligation to pay Matching Moneys by paying cash to the State on the date this Sublease is executed and delivered. If Exhibit D states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, the Sublessee shall be authorized to withdraw money, up to the amount specified in Exhibit D hereto, to pay Costs of the Sublessee's Project in accordance with, and subject to the terms of Section 4.10(b) hereof.

(c) ***Base Rent***. If Exhibit D hereto provides that the source of Matching Moneys is Base Rent, the Sublessee shall, subject only to the provisions of Article VI hereof, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D hereto.

(d) ***Matching Moneys Bond***. If Exhibit D hereto provides that the source of Matching Moneys is a Matching Moneys Bond, the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by issuing and delivering to the State the Sublessee's Matching Moneys Bond on the date this Sublease is executed.

(e) ***Matching Moneys Installment Payments***. If Exhibit D hereto provides that the source of Matching Moneys is Matching Moneys Installment Payments, the Sublessee shall make cash payments in immediately available funds to the State in the amounts, on the payment dates and from the sources set forth in Exhibit D hereto. Notwithstanding any other provision hereof, the obligation of a Sublessee to pay a Matching Moneys Installment Payment in any Fiscal Year beyond the Sublessee's current Fiscal Year is subject to appropriation of such Matching Moneys Payment by the Governing Body of such Sublessee. The officer of the Sublessee who is responsible for formulating budget proposals with respect to Matching Moneys Installment Payments is hereby directed to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee for any Fiscal Year in which an Matching Moneys Installment Payment is payable the entire amount of the Matching Moneys Installment Payment payable during such Fiscal Year; it being the intention of the Sublessee that any decision to pay or not to pay such Matching Moneys Installment Payment shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any department, agency or official of the Sublessee. If the Sublessee intends to fund its Matching Moneys Installment Payments from the proceeds of a grant, the Governing Body of the Sublessee agrees to use its best efforts to comply with the terms of the grant and to pay all proceeds of the grant when received by the Sublessee.

(f) ***Special Arrangements***. Any special arrangement regarding the Sublessee's Matching Moneys that does not fit the categories described in subsections (a) through (e) of this Section shall be described in Exhibit D hereto.

(g) ***More Than One Source***. If Exhibit D hereto provides that there is more than one source of Matching Moneys, the provisions hereof regarding the payment of Matching Moneys shall apply to each such source separately.

Section 5.02. Obligations and Rights with respect to Matching Moneys Bond and Matching Moneys Installment Payments Independent of Sublease. The obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, are independent of the obligations of the Sublessee and the rights of the State under this Sublease and, except as otherwise specifically provided herein, (a) the obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, shall survive the termination of this Sublease and (b) no failure to perform or other action of the State with respect to this Sublease shall affect the State's rights to enforce the obligations of the Sublessee to make payments under the

Sublessee's Matching Moneys Bond or to pay its Matching Moneys Installment Payments, as applicable.

Section 5.03. Use of Matching Moneys. The State shall deposit Matching Moneys it receives into the Assistance Fund.

Section 5.04. References to Cash Payments of Matching Moneys, Base Rent, Matching Moneys Bonds, and Matching Moneys Installment Payments. The State has entered into many, and in the future will enter into many more, subleases similar to this Sublease pursuant to which the sublessees will satisfy their obligations to pay Matching Moneys in a variety of ways. In order to assist the State in administering such subleases, the subleases have been drafted to be as uniform as practicable, including the inclusion of references to cash payments of Matching Moneys that are not applicable to the Sublessee if it is not satisfying its obligations to pay Matching Moneys by making cash payments, references to Base Rent that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Base Rent, references to Matching Moneys Bonds that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and references to Matching Moneys Installment Payments that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments. In applying the terms of this Sublease to the Sublessee, (a) references to cash payments of Matching Moneys apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by making a cash payment, (b) references to Base Rent apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, (c) references to Matching Moneys Bonds apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and (d) references to Matching Moneys Installment Payments apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments.

ARTICLE VI

RENT; EVENT OF NONAPPROPRIATION

Section 6.01. Base Rent. If the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, the Sublessee shall, subject only to the other Sections of this Article, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D hereto.

Section 6.02. Additional Rent. Regardless of the manner in which the Sublessee is satisfying its obligation to pay Matching Moneys, the Sublessee shall, subject only to the other Sections of this Article, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Additional Rent that specifically relates to the Leased Property subject to the Sublease directly to the Person or Persons to which it is owed. The Sublessee shall pay its Proportionate Share of any Additional Rent that does not specifically relate to the Leased Property subject to this Sublease that the State, in its sole discretion, determines should be paid by the Participating K-12 Institutions, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether any Additional Rent is specifically related to the Leased Property subject to this Sublease and as to whether any Additional Rent not specifically related to the Leased Property subject to this Sublease should be paid by the Participating K-12 Institutions, shall be binding on and shall not be subject to dispute or negotiation by the Sublessee. It is the expectation of the State that Additional Rent payable to the State pursuant hereto will not be significant.

Section 6.03. Unconditional Obligations. The obligation of the Sublessee to pay Base Rent, if applicable, during the Sublease Term shall, subject only to the other Sections of this Article, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Rent when due; the Sublessee shall not withhold any Rent payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of set off or counter claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the Sublessee of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Rent during the Sublease Term.

Section 6.04. Event of Nonappropriation.

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Sublessee during the Sublease Term and (ii) to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee during the Sublease Term the entire amount of Base Rent scheduled to be paid and Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Sublessee that any decision to continue or to terminate the Sublease Term shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any other department, agency or official of the Sublessee.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Governing Body of the Sublessee has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Sublessee has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the Sublessee has paid all

Additional Rent due during the period from June 30 through the date of such appropriation or authorization.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease Term effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation or expenditure authorization measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Governing Body of the Sublessee, but not later than 20 days following the adoption thereof by the Governing Body of the Sublessee; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

Section 6.05. Limitations on Obligations of Sublessee.

(a) The obligation of the Sublessee to pay (i) Rent hereunder and (ii) all other payments by the Sublessee hereunder except cash Matching Moneys payments (which must be paid on the date this Sublease is executed and delivered) and amounts payable pursuant to any Matching Money Bond (which are debt of the Sublessee) shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease (except obligations to pay cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments hereunder. The obligations of the Sublessee to pay Rent and Matching Moneys Installment Payments and such other obligations (except cash Matching Moneys payments and amounts payable pursuant to any Matching Money Bond) are subject to appropriation by the Governing Body of the Sublessee in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning of Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease Term, the sole security available to the State, as sublessor under this Sublease, for any such obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee’s obligations under this Sublease (except cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) shall be subject to the Sublessee’s annual right to terminate this Sublease upon the occurrence of an Event of Nonappropriation.

(c) The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article IX hereof.

Section 6.06. No Right to Compel Payment of Rent or Matching Moneys by State or another Participating K-12 Institution. The Sublessee shall have no right to compel the State or any other Participating K-12 Institution to pay any Rent under any Lease or Rent, Matching Moneys or Matching Moneys Installment Payments under any Sublease or Participation Agreement or to pay the principal of, premium, if any, and interest on any Matching Moneys Bond and neither the State nor any such other Participating K-12 Institution shall have any liability to the Sublessee for a failure by the State to pay Rent under any Lease or a failure by any such other Participating K-12 Institution to pay such other Participating K-12 Institution's Rent, Matching Moneys or Matching Moneys Installment Payments under any such other Sublease or Participation Agreement or principal, premium, if any, or interest on its Matching Moneys Bond for any reason.

ARTICLE VII

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 7.01. Taxes, Utilities and Insurance.

(a) The Sublessee shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property (including but not limited to, amounts paid to a Site Lessor for utilities provided by such Site Lessor pursuant to a Site Lease);

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the Sublessee in connection with the Leased Property, the Sublessee's Project and this Sublease: (A) to the extent such activities result in injuries for which immunity is not available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the Sublessee may be liable to third parties thereunder and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee or the State shall notify the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the Sublessee, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the Sublessee's discretion, the insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or may be provided through a self-insurance program described in this subsection. If the property of the Sublessee is covered by the Colorado School Districts Self Insurance Pool, the self-insurance program shall be the Colorado School Districts Self Insurance Pool. If the property of the Sublessee is not covered by the Colorado School Districts Self Insurance Pool, the self-insurance program may, with the State's consent, be the Sublessee's independent risk management program, if any.

(e) At the request of the State or the Trustee, the Sublessee shall cause one or more insurance consultants to annually review the self-insurance program through which insurance is provided pursuant to this Section and confirm that it is maintained on an actuarially sound basis.

Section 7.02. Maintenance and Operation of Leased Property. The Sublessee shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 8.05 and 8.07 hereof.

Section 7.03. Capital Renewal Reserve. The Sublessee shall establish a capital renewal budget and make annual contributions to a capital renewal reserve as defined in § 22-43.7-109(4)(d) of the Act for the purpose of replacing major systems of the Project with projected life cycles such as roofs, interior finishes, electrical systems and heating, ventilating and air conditioning systems.

ARTICLE VIII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 8.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the 2017J Lease shall be held in the name of the State, subject to the Site Lease pursuant to which the Leased Property is leased to the Trustee, the 2017J Lease and this Sublease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 8.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article X or XI hereof and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee or the State has notified the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the Sublessee, by failing to discharge or satisfy such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered, or the

Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the Sublessee of the right to continue to contest such item. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

Section 8.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Sublease and the 2017J Lease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Sublease or the 2017J Lease and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right of way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Sublessee Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 8.04. Subleasing and Other Grants of Use. The Sublessee may sublease or otherwise grant the right to use such Leased Property to another Person, but only if:

(a) the sublease or grant of use by the Sublessee complies with the covenant in Section 10.04 hereof; and

(b) the obligations of the Sublessee under this Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

Section 8.05. Modification of Leased Property. The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, its portion of the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and improvements (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and improvements shall be at least as great as the value of the Leased Property prior thereto; (c) the cost of all remodeling, substitutions, additions, modifications and improvements shall not exceed 10% of the sum of the proceeds of the Series 2017J Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account without the written approval of the State; and

(d) the Leased Property, after such remodeling, substitutions, additions, modifications and improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

Section 8.06. Substitution of or Additions to Leased Property. The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property (the title to which was not insured under a title insurance policy previously provided to the State and the Trustee) be substituted for or added to the Leased Property subject to the Sublease under both the 2017J Lease and this Sublease. Any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution or addition and the Sublessee pays the costs of the substitution or addition, the State shall, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution or addition. The items are:

(a) A certificate by the Sublessee certifying that, following such substitution or addition, the Fair Market Value of the substituted or modified property, determined as of the date of substitution or addition, is equal to or greater than the Fair Market Value of the Leased Property subject to this Sublease.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the Sublessee and the State to make the title insurance representation set forth in the form of Project Account requisition attached as Appendix B to the 2017J Supplemental Indenture.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted or modified property extends to or beyond the final maturity of the Series 2017J Certificates and (ii) the substituted or modified property is at least as essential to the Sublessee as the Leased Property subject to this Sublease.

(d) An agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution or addition, including but not limited to, the costs of the title insurance required by clause (b) of this Section, the Trustee's fees and expenses, the State's third party costs and reasonable charges for the time of State employees and allocable overhead.

(e) An opinion of Bond Counsel to the effect that such substitution or addition is permitted by Section 7.06 of the 2017J Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 10.04 hereof and will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2017J Lease.

Section 8.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the Sublessee.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then, the Sublessee shall elect one of the following alternatives:

(i) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article VI hereof, pay the remainder of such costs as Additional Rent;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 8.06 hereof, in which case the Net Proceeds shall be delivered to the Sublessee; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The Sublessee shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the State and the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Additional Rent hereunder.

Section 8.08. Condemnation by Sublessee. The Sublessee agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price.

Section 8.09. Personal Property of State or Sublessee. The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE IX

SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

Section 9.01. Sublessee's Purchase Option.

(a) The Sublessee is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2017J Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to (i) the principal amount of the Attributable Certificates (defined below in this subsection) and interest thereon through the closing date for the purchase of the Leased Property and (ii) all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee pursuant to Section 9.02 hereof, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Attributable Certificates.

As used in this subsection, the term "Attributable Certificates" means, subject to the next sentence, (i) a principal amount of the Outstanding Series 2017J Certificates determined by multiplying the principal amount of all the Outstanding Series 2017J Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2017J Certificates and the Allocated Investment Earnings deposited into the Sublessee's Project Account and the denominator of which is sum of the proceeds of the Series 2017J Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2017J Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2017J Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2017J Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, if any portion of the Series 2017J Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2017J Certificates shall be substituted for the Series 2017J Certificates that were paid, redeemed or defeased. The rounding pursuant to the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates pursuant to the immediately preceding sentence shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to subsection (a) of this Section, the Sublessee must: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that an Event of Default or an Event of Nonappropriation under the 2017J Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the Person to which the Leased Property is to be conveyed, (C) identifying the source of funds it will use to pay Sublessee's Purchase Option Price and (D) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee's Purchase Option Price to the Trustee in immediately available funds on the closing date.

(c) Upon payment of the Sublessee's Purchase Option Price to the Trustee pursuant to this Section, the Sublessee's obligation to pay, as applicable, Base Rent, principal of, premium, if any, and interest on its Matching Moneys Bond or Matching Moneys Installment Payments shall terminate and, if the Sublessee has delivered a Matching Moneys Bond, the State shall cancel such Matching Moneys Bond or return it to the Sublessee, as directed by the Sublessee.

Section 9.02. Conveyance of Leased Property. At the closing of any purchase of the Leased Property pursuant to Section 9.01 hereof, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership interest in the Leased Property that was conveyed to the Trustee by the Site Lessor under its Site Lease to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Sublease, the 2017J Lease, the Indenture and the Site Lease pursuant to which the Leased Property was leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by the 2017J Lease or this Sublease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by this Sublease, the 2017J Lease, the Indenture, the Site Lease pursuant to which the Leased Property was leased to the Trustee; (iii) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (iv) those liens and encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee and the State.

Section 9.03. Conveyance to Sublessee upon Conveyance to State. If the Sublessee has complied with and performed all of its obligations under this Sublease and its Matching Moneys Bond, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the 2017J Lease, the State shall assign, transfer and convey its ownership interest in the Leased Property to the Sublessee or its designee in the manner described in, and subject to the provisions of, Section 9.02 hereof without any additional payment by the Sublessee. Such conveyance of the State's ownership interest in the Leased Property will not, however, extinguish or otherwise affect the Sublessee's independent obligations to continue to pay any unpaid principal of, premium, if any, and interest on its Matching Moneys Bond pursuant to the terms of its Matching Moneys Bond or to pay its Matching Money Installment Payments hereunder.

ARTICLE X

GENERAL COVENANTS

Section 10.01. Further Assurances and Corrective Instruments. So long as this Sublease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided herein and the Sublessee and the State, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Sublease.

Section 10.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 10.03. Participation in Legal Actions.

(a) At the request of and at the cost of the Sublessee (payable as Additional Rent hereunder), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action in which the Sublessee asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under this Sublease, the Sublessee's Matching Moneys Bond or the Site Lease pursuant to which the Leased Property was leased to the Trustee.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the State or the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee or the State is responsible under the 2017J Lease or this Sublease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Sublease, the Sublessee's Matching Moneys Bond, the Site Lease pursuant to which the Leased Property was leased to the Trustee, the 2017J Lease or the Indenture by the State or the Trustee or the performance of the obligations of the State or the Trustee hereunder or thereunder.

Section 10.04. Tax Covenant of Sublessee. The Sublessee (a) will not use or permit any other Person to use its Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event or Adverse Federal Direct Payment Event and (b) will comply with the certifications, representations and agreements set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution of this Sublease. The Sublessee acknowledges that the State, in the 2017J Lease, has agreed to enforce the covenant of the Sublessee set forth in this Section against the Sublessee.

Section 10.05. Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations. The Additional Rent that may be payable by the Sublessee in accordance with Section 6.02 hereof shall include the Sublessee's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2017J Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Participation Agreements, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.06 of the 2017J Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

Section 10.06. Investment of Funds. By authorizing the execution and delivery of this Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

ARTICLE XI

LIMITS ON OBLIGATIONS OF STATE

Section 11.01. Disclaimer of Warranties. THE STATE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the State be liable for any incidental, special or consequential damage in connection with or arising out of this Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for herein.

Section 11.02. Financial Obligations of State Limited to Sublessee's Project Account and Specified Amounts from the Assistance Fund. Notwithstanding any other provision hereof, all financial obligations of the State under this Sublease are limited to the Sublessee's Project Account and the specified amount of money in the Assistance Fund that is available to pay a portion of the Costs of the Sublessee's Project in accordance with Section 4.10 hereof.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Sublease, subject to Section 14.22 hereof:

(i) failure by the Sublessee to pay, as applicable, any specifically appropriated Base Rent to the State on or before the applicable Base Rent Payment Date, any principal of, premium, if any, or interest on its Matching Moneys Bond when due or any Matching Moneys Installment Payment when due;

(ii) failure by the Sublessee to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, any of the Leased Property or the interest of the State in any of the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following an Event of Nonappropriation or Event of Default under this Sublease or a termination of the 2017J Lease as a result of an Event of Nonappropriation or Event of Default under the 2017J Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of this Sublease or the Leased Property in violation of Section 13.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 13.02 hereof; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Sublease, in its Matching Moneys Bond or in any other instrument related hereto or thereto (including but not limited to the Tax Compliance Certificate executed or issued in connection with this Sublease), other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the Sublessee shall remain obligated to pay, as applicable, principal of, premium, if any, and interest on its Matching Moneys Bond and its Matching Money Installment Payments when due, notwithstanding any termination of the Sublease Term or this Sublease or any limitation on any of the other obligations of the Sublessee hereunder;

(ii) the Sublessee shall be obligated to pay Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(iii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay money, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee; and provided further that this paragraph shall not apply to any obligation of the Sublessee under the Sublessee's Matching Moneys Bond or with respect to its Matching Moneys Installment Payments.

Section 12.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps:

(a) terminate the Sublease Term and give notice to the Sublessee to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property;

(c) recover any of the following from the Sublessee that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) all amounts due under the Sublessee's Matching Moneys Bond in accordance with the terms of the Sublessee's Matching Moneys Bond; and the portion of any Base Rent or Matching Moneys Installment Payments payable by the Sublessee for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, regardless of when the Sublessee vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of this Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XIII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Sublease, subject, however, to the limitations on the obligations of the Sublessee under Sections 6.05 and 12.03 hereof.

Section 12.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 12.02(c) hereof.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Sublessee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 12.05. Waivers. The State, with the consent of the Trustee, may waive any Event of Default under this Sublease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XIII

TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

Section 13.01. Transfers Prohibited. Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 with respect to substitutions of other property for Leased Property and Section 13.02 hereof with respect to transfers of the Leased Property following termination of the Sublease Term or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 13.02. Transfer After Conveyance of Leased Property to Sublessee. Notwithstanding Section 13.01 hereof, the Sublessee may, with the Site Lessor's prior written consent, transfer its leasehold interest in the Leased Property after, and only after, this Sublease Term has terminated and the Leased Property has been conveyed to the Sublessee pursuant to Article IX hereof.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. This Sublease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Sublease.

Section 14.02. Interpretation and Construction. This Sublease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Sublease. For purposes of this Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Sublease to designated "Articles," "sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Sublease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 14.03. Acknowledgement of and Subordination to 2017J Lease and Indenture. The Sublessee has received copies of, and acknowledges the terms of, the 2017J Lease and the Indenture and agrees that its rights hereunder are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2017J Lease and the Indenture.

Section 14.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee for the Sublessee Representative and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request. The Sublessee Representative is the ______________ of the Sublessee or any Person appointed as Sublessee Representative by such Person.

Section 14.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, 200 E. Colfax Ave., Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: ryan.parsell@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, and with a copy to Public School Capital Construction Assistance Board, 1580 Logan Street, Suite 310, Denver, Colorado 80203, Attention: Chair, facsimile number: 303.866.6168, electronic mail address: [______________]@cde.state.co.us; 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@zionsbank.com; [and] if to the Sublessee, to ____________________, Attention: ________________, facsimile number: ________, electronic mail address: __________[; and, if to the Sublessee's Chartering Authority, ______________, Attention: Superintendent, facsimile number: ______________, electronic mail address: ____________]. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing this Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 14.07. Amendments, Changes and Modifications. Except as otherwise provided herein, this Sublease may only be amended, changed, modified or altered by a written instrument executed by the State, the Assistance Board and the Sublessee.

Section 14.08. State May Rely on Certifications, Representations and Agreements of Sublessee. The State may rely on the certifications, representations and agreements of the

Sublessee in this Sublease (including any Exhibit hereto) and may assume that the Sublessee will perform all of its obligations under this Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the 2017J Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Projects, the Leases, the Site Leases, the Matching Moneys Bonds, the Certificates, the Indenture or any matter related thereto.

Section 14.09. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Sublease.

Section 14.10. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Sublease is set forth in Exhibit B hereto. If the land included in Leased Property subject to this Sublease is modified pursuant to the terms of this Sublease or other land is substituted for land included in the Leased Property subject to this Sublease pursuant to the terms of this Sublease, the legal description set forth in Exhibit B hereto will be amended to describe the land included in the Leased Property subject to this Sublease after such modification or substitution.

Section 14.11. Merger. The State, the Trustee, the Site Lessor of the Leased Property and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the 2017J Lease or the Site Lease pursuant to which the Leased Property is leased to the Trustee by the Sublessee or the Sublessee's Chartering Authority and that none of the execution and delivery of this Sublease by the State and the Sublessee, the 2017J Lease by the Trustee and the State or such Site Lease by the Site Lessor and the Trustee or the exercise of any remedies by any party under this Sublease, the 2017J Lease or such Site Lease shall operate to terminate or extinguish this Sublease, the 2017J Lease or Site Lease.

Section 14.12. Severability. In the event that any provision of this Sublease, other than the obligation of the Sublessee to pay Additional Rent hereunder and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.13. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Sublease.

Section 14.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Sublease. Any provision of this Sublease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Sublease to the extent that this Sublease is capable of execution. At all times during the performance of this Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 14.15. Execution in Counterparts. This Sublease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.16. State Controller's Approval. This Sublease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 14.17. Non-Discrimination. The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 14.18. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39 21-101 et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 14.19. Employee Financial Interest. The signatories to this Sublease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 14.20. Accounting Allocation of State's Base Rent. Exhibit C hereto allocates the Base Rent payments of the State under the 2017J Lease among the 2017J Sublessees for accounting purposes. Exhibit C is included solely at the request of the Sublessee for its accounting purposes and shall not affect, and may not be used to determine, any rights or obligations of the State, the Sublessee or any other Person under this Sublease, the 2017J Lease, the Indenture or the Site Lease or for any other purpose.

Section 14.21. Assistance Board as Party. The Assistance Board is a party to this Sublease solely for the purpose of complying with the Act. Except as otherwise provided in Section 14.05 and 14.07 hereof, all actions hereunder or with respect hereto may be taken by the State, acting by and through the State Treasurer, without any participation by the Assistance Board.

Section 14.22. Rights and Obligations of Sublessee's Chartering Authority. Notwithstanding any other provision of this Sublease, if the Sublessee's Chartering Authority is a party to this Sublease:

(a) The Sublessee's Chartering Authority is a party to this Sublease solely for purposes of this Section.

(b) If (i) the Sublessee's Charter is terminated or expires for any reason, (ii) the Sublessee attempts, without the written consent of the State and the Sublessee's Chartering Authority, to transfer all or any portion of its interest in, to sublease or to grant the right to use the Leased Property to any other Person other than the Sublessee's Chartering Authority (except for a right to use that does not interfere with the operation of the Leased Property as a charter school in accordance with the Sublessee's Charter) or (iii) the Sublessee fails to use the Leased Property as a charter school in accordance with its Charter, then, automatically, without any further action by any Person, all the rights and obligations of the Sublessee under this Sublease and to the Leased Property shall terminate and the Sublessee's Chartering Authority shall succeed to all the rights and obligations of the Sublessee under this Sublease and to the Leased Property. If any such event occurs, the Sublessee and the Sublessee's Chartering Authority shall immediately deliver written notice to the State and the Trustee and the Sublessee, the Sublessee's Chartering Authority, the State and the Trustee shall take all actions reasonably requested by any of them to evidence such termination and succession, but a failure to deliver any such notice or take any such action shall not affect the operation of the first sentence of this subsection.

(c) If an Event of Default or Event of Nonappropriation under the 2017J Lease has occurred and the Sublessee has not delivered the notice required to be delivered to the Trustee and the State under Section 9.01(b)(i) hereof or the Sublessee has delivered such notice but has failed to pay the Sublessee's Purchase Option Price on the closing date pursuant to Section 9.01 hereof, the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the option to purchase the Leased Property in accordance with Section 9.01 hereof; provided that the Site Lessor shall have an additional 15 Business Days after delivery of the notice from the State to deliver a notice to the Trustee and the State in accordance with Section 9.01(b)(i) hereof.

(d) If, but for the application of this Section, an Event of Default has occurred or events have occurred that, with the passage of time without a cure, will result in an Event of Default (for purposes of this Section, a "prospective Event of Default"), the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the right to cure the prospective Event of Default within the time period available to the Sublessee under Section 12.01 hereof plus 15 Business Days. If the Sublessee's Chartering Authority cures the prospective Event of Default pursuant to this subsection, no Event of Default shall be deemed to have occurred and the Sublessee's Chartering Authority shall have the option to succeed to all rights and obligations of the Sublessee under this Sublease by delivering a written notice to the State and the Trustee that it desires to do so. If the Sublessee delivers such a notice, it shall automatically, without any further action by any Person, succeed to the rights and obligations of the Sublessee under this Sublease and the State and the Trustee shall take all actions reasonably requested by the Sublessee's Chartering Authority to effect and evidence such succession.

(e) If (i) the Sublessee's Chartering Authority is the Site Lessor under the Site Lease pursuant to which the Leased Property subject to this Sublease is leased to the Trustee and (ii)(A) such Leased Property is conveyed by the Trustee to the State pursuant to the Lease pursuant to which such Leased Property is leased to the State or (B) such Leased Property is conveyed by the State to the Sublessee pursuant to Section 9.03 hereof, then, the Sublessee and the Sublessee's Chartering Authority agree that such Site Lease shall, pursuant to Section 11.03 thereof, continue with the Sublessee succeeding to the rights and obligations of the Trustee thereunder.

[remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE OF _________________ AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

[SUBLESSEE] _______________________ Name, Title [DISTRICT SEAL] Attest: _______________________ Name, Title [SUBLESSEE'S CHARTERING AUTHORITY] By: __________ Title: __________ _______________________ *Signature	**STATE OF COLORADO** **John W. Hickenlooper GOVERNOR** Department of the Treasury Walker R. Stapleton, Treasurer _______________________ By Ryan Parsell, Deputy Treasurer
STATE OF COLORADO **John W. Hickenlooper GOVERNOR** Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: _______________________ Brandon Ates, Manager of Real Estate Programs	**PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD**, acting on behalf of the State of Colorado By:_______________________ Tim Reed, Chair
	LEGAL REVIEW **Cynthia H. Coffman, Attorney General** By:_______________________ Lori Ann F. Knutson, First Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Sublease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
Robert Jaros, MBA, CPA, JD

By:_______________________
Robert Jaros, State Controller

Date:_____________________

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of ____________, 2017, by Ryan Parsell, Deputy Treasurer, acting on behalf of the State of Colorado, acting by and through the State Treasurer.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of _____________, 2017, by Tim Reed, Chair of the Public School Capital Construction Assistance Board, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ____ day of ___________, 2017 by ___________, as __________________ of ________ ___________.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

[ADD CHARTER NOTARY IF APPLICABLE]

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

[omitted for form of 2017J Sublease appended to Official Statement]

EXHIBIT B

SPECIFICATIONS FOR PROJECT

[omitted for form of 2017J Sublease appended to Official Statement]

EXHIBIT C

ACCOUNTING ALLOCATION OF STATE'S BASE RENT

[omitted for form of 2017J Sublease appended to Official Statement]

EXHIBIT D

MATCHING MONEYS

[omitted for form of 2017J Sublease appended to Official Statement]

EXHIBIT E

FORM OF ASSISTANCE FUND REQUISITION

[omitted for form of 2017J Sublease appended to Official Statement]

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C
Form of Continuing Disclosure Undertaking

$156,305,000	**$115,790,000**
STATE OF COLORADO	**STATE OF COLORADO**
BUILDING EXCELLENT SCHOOLS TODAY	**BUILDING EXCELLENT SCHOOLS TODAY**
CERTIFICATES OF PARTICIPATION	**REFUNDING CERTIFICATES OF PARTICIPATION**
TAX-EXEMPT SERIES 2017J	**TAX-EXEMPT SERIES 2017K**

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 issuance of the above-referenced Certificates of Participation (collectively, the "**Certificates**") evidencing assignments of proportionate interests in the right to receive certain payments payable under an annually renewable (a) State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement, dated as of December 7, 2017, entered between Zions First National Bank, as Trustee(the "**Trustee**") under a Master Trust Indenture, as supplemented (the "**Indenture**"), and the State and (b) State of Colorado Building Excellent Schools Today Series 2017K Amended and Restated Lease Purchase Agreement, dated as of December 7, 2017, entered into between the Trustee and the State. The Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including particularly House Bill 08-1335 and Senate Bill 09-257, each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under Appendix E – "THE STATE GENERAL FUND," Appendix G – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND," Appendix H – "LEASED PROPERTY RELATING TO PRIOR CERTIFICATES" (which shall include information on the Leased Property for all Participating K-12 Institutions, not just "Prior Certificates"), and Appendix 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, 2018, and annually while the Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will be provided when available but in no event later than 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 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).*

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under subsection (a)(2)(7),(8, with respect to calls, but not tender offers), (10), (13) or (14) would constitute material information for Owners of 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.

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.

---

* 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.

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 parties hereto have caused this Agreement to be executed effective as of the day and year first above written.

Date: December 7, 2017.

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

By: ____
Deputy Treasurer of the State of Colorado

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D
Form of Bond Counsel Opinion

State of Colorado,
acting by and through the State Treasurer
ZB, National Association dba Zions Bank,
as Trustee
RBC Capital Markets, LLC
George K. Baum & Company
J.P. Morgan Securities LLC
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Morgan Stanley & Co. LLC
Stifel, Nicolaus & Company, Incorporated

$156,305,000
State of Colorado
Building Excellent Schools Today Certificates of Participation
Tax-Exempt Series 2017J

$115,790,000
State of Colorado
Building Excellent Schools Today Refunding Certificates of Participation
Tax-Exempt Series 2017K

Ladies and Gentlemen:

We have been engaged by the State of Colorado, acting by and through the State Treasurer (the “State”), to act as bond counsel in connection with the execution and delivery of the Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2017J (the “Series 2017J Certificates”) and the Building Excellent Schools Today Refunding Certificates of Participation Tax-Exempt Series 2017K (the “Series 2017K Certificates” and, collectively with the Series 2017J Certificates, the “Series 2017J-K Certificates”). The Series 2017J-K Certificates are being executed and delivered pursuant to the Building Excellent Schools Today Act, part 1, article 43.7, title 22, Colorado Revised Statutes, as amended; and the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009, as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Indenture dated as of March 16, 2010, the State of Colorado Building Excellent Schools Today Series 2010D-F Supplemental Trust Indenture dated as of December 16, 2010, the State of Colorado Building Excellent Schools Today Series 2011G Supplemental Trust Indenture dated as of December 8, 2011, the State of Colorado Building Excellent Schools Today October 2012 Supplemental Trust Indenture dated as of October 31, 2012, the State of Colorado Building Excellent Schools Today Series 2012H Supplemental Trust Indenture dated as of December 6, 2012, the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated as of December 9, 2013, the State of Colorado Building Excellent Schools Today 2015 Supplemental Trust Indenture dated as of February 12, 2015, the State of Colorado Building Excellent Schools Today Series 2017J Supplemental Trust Indenture dated as of December 7, 2017 and the State of Colorado Building Excellent Schools Today Series 2017K Supplemental Trust Indenture dated as of December 7, 2017 (collectively, the “Indenture”) by ZB, National Association dba Zions Bank, as trustee thereunder (the “Trustee”). The Series 2017J-K Certificates evidence undivided interests in the right to certain payments by the State under the State of Colorado Building Excellent Schools Today Series 2017J Lease Purchase Agreement dated as of December 7, 2017 (the “2017J Lease”), the State of Colorado Building Excellent

Schools Today Series 2017K Amended and Restated Lease Purchase Agreement dated as of December 7, 2017 (the "2017K Lease"), the State of Colorado Building Excellent Schools Today 2015 Lease Purchase Agreement dated as of February 12, 2015 (the "2015 Lease"), the State of Colorado Building Excellent Schools Today Series 2013I Lease Purchase Agreement dated as of December 9, 2013 (the "2013I Lease"), the State of Colorado Building Excellent Schools Today Series 2012H Lease Purchase Agreement dated as of December 6, 2012 (the "2012H Lease"), the State of Colorado Building Excellent Schools Today Series 2010D-F Lease Purchase Agreement dated as of December 16, 2010 (the "2010D-F Lease"), the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 (the "2010B-C Lease") and the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of September 12, 2009 (the "2009A Lease"; and, together with the 2017J Lease, the 217K Lease, the 2015 Lease, the 2013I Lease, the 2012H Lease, the 2010D-F Lease and the 2010B-C Lease, the "Leases") by and between the Trustee, as lessor, and the State, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined the documents listed in the preceding paragraph, the 2017J Site Leases pursuant to which the 2017J Leased Property has been leased to the Trustee by the 2017J Site Lessors, the 2017J Subleases pursuant to which the 2017J Leased Property has been subleased to the 2017J Sublessees by the State, and the Tax Compliance Certificates executed and delivered by the State, the 2017J Sublessees and the Participant in connection with the execution and delivery of the Series 2017J-K Certificates; the Constitution and the laws of the State; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Series 2017J-K Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Leases, the Indenture and the Series 2017J-K Certificates, the due authorization, execution and delivery by each Site Lessor and the enforceability against each Site Lessor of its Site Lease, the due authorization, execution and delivery by each Sublessee and the enforceability against each Sublessee of its Sublease, and the due authorization, execution and delivery by each Sublessee of its respective Tax Compliance Certificate; have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State in connection with the execution and delivery of the Series 2017J-K Certificates with respect to the authorization, execution and delivery of the Leases, the 2017J Subleases and the State's Tax Compliance Certificate by the State, the enforceability of the 2017J Subleases and the State's Tax Compliance Certificate against the State (but not the enforceability of the 2017J Lease or the 2017K Lease) and other matters; and have assumed that the State, the Trustee, the Site Lessors, the Sublessees and other parties will comply with, and perform their obligations in accordance with, the Leases, the Indenture, the Site Leases, the Subleases and the Tax Compliance Certificates of the State and the Sublessees.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the 2017J Lease and the 2017K Lease.

2. The 2017J Lease and the 2017K Lease have been duly authorized, executed and delivered by the State and are the legal, valid and binding obligations of the State enforceable against the State in accordance with their respective terms.

3. The Series 2017J-K Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2017J-K Certificates and the Indenture, from Base Rent payable by the State under the Leases as provided in the Leases.

4. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2017J-K Certificates is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume compliance by the State, the Sublessees and the Participant with certain covenants relating to requirements of the Code that must be met subsequent to the delivery of the Series 2017J-K Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of delivery of the Series 2017J-K Certificates. We express no opinion regarding (a) the effect of any termination of the State's obligations under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2017J-K Certificates; or (b) any other federal tax consequences related to the ownership or disposition of the Series 2017J-K Certificates. We note, however, that the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2017J-K Certificates is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes).

5. Under existing State of Colorado statutes, the interest received by the Owners of the Series 2017J-K Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases is exempt from State of Colorado income tax. We express no opinion regarding (i) the effect of any termination of the State's obligations under the Leases on interest received or income of the Owners of the Series 2017J-K Certificates subsequent to such termination; or (ii) any other tax consequences related to the ownership or disposition of Series 2017J-K Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2017J-K Certificates and the enforceability of the Series 2017J-K Certificates and of the 2017J Lease and 2017K Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the Site Leases, the Leases, the Indenture or the Series 2017J-K Certificates against the Trustee; the enforceability of the Site Leases against the Site Lessors; the enforceability of the Subleases against the State or the Sublessees; the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2017J-K Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Leases.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2017J-K Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Series 2017J-K Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

APPENDIX E
The State General Fund

General

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 and subsequent CAFRs includes a large number of statutorily created special 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 CAFR 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 2015-16 CAFR and Fiscal Year 2016-17 BFS.

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 2017-18 and 2018-19. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST," as well as the inside cover of this Official Statement regarding forward-looking statements.

[Remainder of page intentionally left blank]

State of Colorado
General Fund Revenue Sources[1]

(Accrual basis; dollar amounts expressed in millions)

	Actual								**Preliminary**		**OSPB September 2017 Revenue Forecast**			
	Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
Revenue Source	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Excise Taxes:														
Sales Tax[2]	$2,211.7	5.7	$2,425.3	9.7	$2,619.2	8.0	$2,652.6	1.3%	$2,825.7	6.5%	$3,127.3	10.7	$3,278.3	4.8
Use Tax	242.7	21.0	241.3	(0.6)	260.3	7.8	241.2	(7.3)	259.5	7.6	289.8	11.7	304.4	5.0
	2,454.4	7.0	2,666.6	8.6	2,879.5	8.0	2,893.8	0.5						
Cigarette Tax	38.3	(3.1)	36.6	(4.5)	37.9	3.6	37.2	(1.8)	36.6	(1.7)	36.0	(1.5)	35.0	(2.8)
Tobacco Products	15.6	(2.9)	16.9	8.5	17.8	5.3	21.1	18.5	21.2	0.6	21.8	2.7	22.5	3.1
Liquor Tax	39.2	2.2	40.3	2.9	41.5	2.8	43.6	5.0	45.0	3.3	46.0	2.3	46.3	0.6
	93.1	(0.9)	93.8	0.8	97.2	3.6	101.9	4.8						
Total Excise Taxes	2,547.5	6.7	2,760.4	8.4	2,976.7	7.8	2,995.7	0.6	$3,188.0	6.4%	3,520.9	10.4	3,686.4	4.7
Income Taxes:														
Net Individual Income Tax	5,596.3	11.7	5,696.1	1.8	6,350.1	11.5	6,526.5	2.8	6,760.9	3.6	7,285.6	7.8	7,632.2	4.8
Net Corporate Income Tax	636.3	30.8	720.7	13.3	692.9	(3.9)	652.3	(5.8)	509.3	(21.9)	530.5	4.2	575.3	8.4
Total Income Taxes	6,232.6	13.4	6,416.8	3.0	7,043	9.8	7,178.8	1.9	7,270.2	1.3	7,816.1	7.5	8,207.4	5.0
Less State Education Fund Diversion[1]	(486.3)	19.3	(478.8)	(1.6)	(519.8)	8.6	(522.6)	0.5	540.0	3.3	578.4	7.1	607.4	5.0
Total Income Taxes to the General Fund	5,746.2	12.9	5,938.0	3.3	6,523.1	9.9	6,656.2	2.0	6,730.2	1.1	7,237.7	7.5	7,600.1	5.0
Other Revenues:														
Estate	(0.1)	--	--	--	--	--	--	--		--	--	--	--	--
Insurance	210.4	6.7	239.1	13.6	256.7	7.4	280.3	9.2	290.5	3.6	302.3	4.1	313.2	3.6
Interest Income	17.4	28.6	15.2	(12.8)	8.9	(41.7)	12.4	40.3	14.7	18.6	16.0	8.2	19.0	19.2
Pari-Mutuel	0.7	10.3	0.6	(8.8)	0.6	0.2	0.6	0.5	0.6	(6.6)	0.6	(2.0)	0.6	(2.0)
Court Receipts	2.3	(9.0)	2.4	9.5	2.6	0.3	3.5	34.5	4.1	17.5	4.0	(2.8)	3.9	(2.5)
Other Income	18.1	(21.6)	21.3	17.9	34.0	59.3	22.5	(33.7)	47.3	109.7	30.1	(36.5)	31.1	3.6
Total Other	249.0	4.9	279.2	12.1	302.7	8.4	319.4	5.5	357.2	11.8	352.8	(1.2)	367.8	4.2
Gross General Fund	$8,542.7	10.7%	$8,977.7	5.1%	$9,802.6	9.2%	$9,971.4	1.7%	$10,275.5	3.0%	$11,111.5	8.1%	$11,654.3	4.9%

---

1 Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The "Other Revenues" in this table for Fiscal Years 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in "Transfers to the General Fund" in the General Fund overview table hereafter rather than as a General Fund revenue source in this table. This change does not affect the overall amount of "Total General Fund Revenue Available for Expenditure" in the General Fund overview table.

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 was 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 2017-18, 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. See Note 13 to the table in "General Fund Overview" hereafter.

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 past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2017-18 and 2018-19 from the OSPB September 2017 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2017 Revenue Forecast for Fiscal Years 2017-18 and 2018-19. 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 F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST," as well as the preliminary notices in this Official Statement regarding forward looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2011-12 through 2017-18

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB September 2017 Revenue Forecast	
	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Preliminary Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
REVENUE:							
Beginning Reserve	$795.8	$373.0	$435.9	$689.6	$512.7	$613.0	$681.2
Gross General Fund Revenue [2]	8,542.7	8,977.7	9,802.6	9,971.4	10,275.5	11,111.5	11,654.3
Transfers to the General Fund [2]	12.4	14.1	64.9	24.1	44.8	90.0	19.1
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	9,351.0	9.364.8	10,303.4	10,685.1	10,833.0	11,814.5	12,354.6
EXPENDITURES:							
Appropriation Subject to Limit [3]	7,459.2	8,218.7	8,869.0	9,335.6	9,784.5	10,438.1	11,074.1
Dollar Change (from prior year)	431.5g	759.5	650.3	466.6	448.9	653.6	635.9
Percent Change (from prior year)	6.1%	10.2%	7.9%	5.3%	4.8%	6.7%	6.1%
Spending Outside Limit	452.3	545.5	785.7	895.1	645.1	695.1	564.1
TABOR Refund under Subsection (7)(d) [4]	--	--	153.7	--	0.0	0.0	0.0
Set Aside for Potential TABOR Refund under Subsection (3)(c) [5]	--	--	58.0	(58.0)	--	--	--
Rebates and Expenditures [6]	380.9	250.2	257.4	281.3	285.0	295.7	315.0
Transfers to Capital Construction [7]	61.4	186.7	248.5	271.1	84.5	109.2	60.0
Transfers to Highway Users Tax Fund [7]	N/A	--	--	199.2	79.0	79.0	0.0
Transfers to State Education Fund under SB 13-234 [8]	N/A	45.3	25.3	25.3	25.3	25.3	25.0
Transfers to Other Funds [9]	4.6	30.9	42.2	176.2	171.3	185.9	164.1
Other Expenditures Exempt from General Fund Appropriation Limit [10]	5.4	32.4	0.5	--	0.0	0.0	0.0
TOTAL GENERAL FUND OBLIGATIONS	7,911.5	8,764.3	9,654.7	10,230.7	10,429.6	11,133.3	11,638.2
Percent Change (from prior year)	9.6%	10.8%	10.2%	5.7%	1.9%	6.7%	4.5%
Reversions and Accounting Adjustments	7.1	(50.4)	(60.6)	(58.3)	(209.6)	0.0	0.0
RESERVES:							
Year-End General Fund Balance	1,446.5	650.9	709.2	512.7	613.0	681.2	716.4
Year-End General Fund as a % of Appropriations	19.4%	7.9%	8.0%	5.5%	6.3%	6.5%	6.5%
General Fund Statutory Reserve Amount [11]	373.0	410.9	576.5	463.9	584.3	675.4	716.4
Unappropriated Reserve Percentage [11]	5.0%	5.0%	6.5%	5.6%	--	--	--
Above (Below) Statutory Reserve	1,073.5	240.0	132.7	48.8	28.7	5.9	0.0
Transfer of Excess Reserve to State Education Fund/Other Funds [12]	(1,073.5)	(215.0)	--	--	--	--	--
Balance After Any Funds Above Statutory Reserve are Allocated [12]	--	435.9	132.7	48.8	--	--	--

---

(1) This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

(2) Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The amounts in these line items for Fiscal Year 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in this table as a transfer to the General Fund rather than as General Fund revenue. This change does not affect the overall amount of Total General Fund Revenue Available for Expenditure.

(3) Total State appropriations during this period have been limited to such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus an amount equal to 5.0% of Colorado personal income.

(4) Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. No TABOR refunds are forecast for Fiscal Years 2016-17 or 2017-18. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*" and "APPENDIX F – OSPB SEPTEMBER 2017 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit."

(5) The amount shown in Fiscal Year 2014-15 reflects the amount set aside by HB 15-1367 in a special account to cover a potential TABOR refund relating to Proposition AA. HB 15-1367 submitted to the State's voters at the general election held on November 3, 2015, the question of authorizing the State to retain and expend such amount. Because voters approved Proposition BB, the State was able to use the money for the uses specified in HB 15-1367. Consequently, a reversal of the $58 million set aside is shown in Fiscal Year 2015-16 which made it available for spending. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Voter Approval to Retain and*

Spend Certain Marijuana Taxes Associated with Proposition AA," Note 4 above and Note 2 to the table in "General Fund Revenue Sources" above.

(6) This 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, hearing bill or rent assistance to qualifying low-income seniors and disabled or elderly individuals; and the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension. See "SOURCES OF PAYMENT OF PROGRAM LOANS – Ad Valorem Property Taxation Procedure – *Homestead Exemption*."

(7) 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 have been revised per HB 16-1416 and SB 17-262. The current required 228 transfers to the Highway Users Tax Fund are $199.2 million in Fiscal Year 2015-16 and $79.0 million in each of Fiscal Years 2016-17 and 2017-18, and the required 228 transfers to the Capital Construction Fund are $49.8 million in Fiscal Year 2015-16 and $52.7 million in Fiscal Year 2016-17. Currently there is no required 228 transfer to the Capital Construction Fund in Fiscal Year 2017-18. The amount of the capital construction transfers in Fiscal Years 2015-16, 2016-17 and 2017-18 also includes transfers of General Fund money in addition to the required 228 transfers.

(8) Annual General Fund transfers to the State Education Fund are required to be made in Fiscal Years 2013-14 through 2018-19 per SB 13-234.

(9) State law requires transfers of General Fund money to various State cash funds. Starting in Fiscal Year 2013-14, this line item includes transfers of amounts credited to the General Fund from the retail marijuana sales taxes 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 Years 2015-16 and 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, which was passed in response to the April 2016 Colorado Supreme Court's decision in BP America Production Company v. Colorado Department of Revenue that allows for taxpayers to claim additional severance tax deductions. SB 16-218 creates a reserve fund and diverts income tax revenue to the fund to help pay the refunds. However, the legislation does not distinguish between severance tax refunds related to the court decision and severance tax refunds that would have occurred regardless of the decisions. For Fiscal Year 2015-16, $56.8 million in income tax revenue was diverted to such reserve fund to pay for severance tax refunds. The OSPB September 2017 Revenue Forecast reports that $53.8 million in income tax revenue will be diverted from the General Fund to the reserve fund to pay severance tax refunds in Fiscal Year 2016-17. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – Revenues and Unappropriated Amounts" and the sections of the OSPB September 2017 Revenue Forecast captioned "CASH FUND REVENUE FORECAST – Severance Tax Revenue" and "GENERAL FUND AND STATE EDUCATION FUND BUDGET – General Fund Overview Table – Expenditures."

(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 to be diverted to a reserve fund to fund severance tax refunds as discussed in Note 9 above. Starting in Fiscal Year 2015-16, 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 amount to $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. 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."

(12) In recent years, all or a portion of the amount in excess of the statutory reserve was required by law to be credited to other State Funds, primarily the State Education Fund. For example, all of the Fiscal Year 2012-13 excess was transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess reserves, except for $25 million that remained in the General Fund, were transferred to various other State Funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342 and SB 14-223. The amounts remaining in the General Fund became part of the beginning reserve and funds available in Fiscal Year 2014-15. Under current law, all amounts remaining the General Fund in excess of the statutory reserve in Fiscal Years 2015-16 through 2017-18 have or will become part of the beginning reserve and fund available in the following Fiscal Year.

(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 September 20, 2017, and is included in this Official Statement as **Appendix F** – "OSPB SEPTEMBER 2017 REVENUE FORECAST." The OSPB September 2017 Revenue Forecast projects revenues for Fiscal Years 2017-18 through 2018-19, which 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 September 2017 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, iut1ation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The economic 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 liming 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 or 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 or 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 December 2017. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2017 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2017-18 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.

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose or 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 2015-16, 2016-17, 2017-18 Investments of the State Pool. The following tables set forth the investment by category or the moneys in the Slate Pool as of the end of each month in Fiscal Years 2015-16 and 2016-17 and as of the end of each of the first four months in Fiscal Year 2017-18.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2015-16
(Amounts expressed in millions)[1]

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016
Agency CMOs	$ 9.3	$ 8.5	$ 8.1	$ 7.7	$ 7.3	$ 7.2	$ 6.6	$ 6.2	$ 6.1	$ 5.5	$ 5.2	$ 4.9
Commercial Paper	786.9	789.9	694.9	959.8	980.8	670.8	1,014.6	384.7	463.7	963.4	591.5	846.3
U.S. Treasury Notes	909.2	894.4	894.4	894.4	879.8	849.9	849.9	785.2	770.3	846.3	1,205.0	1,179.8
Federal Agencies	2,877.1	2,907.1	3,065.8	2,461.2	2,321.4	2,351.3	2,826.5	3,480.9	3,454.8	3,659.8	3,749.7	2,425.0
Asset-Backed Securities	1,382.8	1,348.2	1,318.8	1,289.0	1,255.98	1,176.0	1,168.2	1,142.5	1,127.0	1,086.2	1,048.7	1,022.0
Money Market	360.0	265.0	435.0	435.0	320.0	304.8	492.9	488.0	438.0	300.0	170.0	230.0
Corporates	1,693.3	1,708.1	1,708.7	1,704.9	1,695.5	1,697.1	1,675.2	1,647.2	1,632.6	1,617.3	1,636.2	1,646.6
Certificates of Deposit	5.0	6.5	0.0	6.5	6.5	6.5	4.5	2.5	0.5	0.5	0.5	0.5
Totals	$8,023.6	$7,927.7	$8,125.7	$7,758.5	$7,467.2	$7,063.6	$8,038.4	$7,937.2	$7,893.0	$8,479.0	$8,406.8	$7,355.1

(1) This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2016-17
(Amounts expressed in millions)[1]

	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017
Agency CMOs	$ 4.6	$ 4.4	$ 4.0	$ 3.8	$ 3.5	$ 3.3	$ 3.0	$ 2.8	$ 2.6	$ 2.4	$ 2.3	$ 2.1
Commercial Paper	1,030.2	1,135.0	1,208.1	912.3	915.4	843.3	959.2	664.4	484.6	865.0	756.8	745.6
U.S. Treasury Notes	1,179.7	1,106.7	978.8	933.7	983.9	954.3	954.6	875.4	875.0	874.7	874.3	884.1
Federal Agencies	2,842.3	2,442.4	2,240.1	2,235.1	1,935.2	1,845.9	2,300.5	2,040.5	2,359.8	1,780.5	1.945.2	1,263.4
Asset-Backed Securities	975.5	921.9	876.2	832.8	768.8	742.7	717.8	698.5	729.4	678.6	603.8	575.8
Money Market	251.0	381.0	450.0	455.0	410.0	410.0	410.0	350.0	295.0	525.0	290.0	265.0
Corporates	1,658.2	1,752.3	1,856.7	2,018.6	1,989.9	1,991.1	2,364.2	2,699.7	2,830.5	3,325.1	3,542.0	3,033.9
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	$7,941.5	$7,743.7	$7,613.9	$7,391.3	$7,006.7	$6,790.6	$7,709.6	$7,331.3	$7,576.9	$8,051.3	$8,014.4	$6,769.9

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2017-18
(Amounts expressed in millions)[1]

	July 2017	Aug 2017	Sept 2017	Oct 2017
Agency CMOs	$ 1.9	$ 1.7	$ 1.6	$ 1.4
Commercial Paper	931.2	828.4	532.8	657.5
U.S. Treasury Notes	884.0	1,123.8	1,153.8	914.4
Federal Agencies	948.2	809.7	979.4	834.6
Asset-Backed Securities	581.1	519.1	514.3	546.3
Money Market	260.0	425.0	485.0	275.0
Corporates	3,847.5	3,553.3	3,628.9	3,824.4
Certificates of Deposit	0.0	0.0	0.0	0.0
Totals	$7,453.9	$7,261.0	$7,295.8	$7,053.6

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F
OSPB September 2017 Revenue Forecast

(THIS PAGE INTENTIONALLY LEFT BLANK)

COLORADO
Office of State Planning & Budgeting

September | 2017

The Colorado Outlook

Economic and Fiscal Review

Table of Contents

John W. Hickenlooper
Governor

Henry Sobanet
Director

Jason Schrock
Deputy Director

Luke Teater
Economist

For additional information about the Governor's Office of State Planning and Budgeting, and to access this publication electronically, please visit www.colorado.gov/ospb.

To sign up for economic updates from the Governor's Office of State Planning and Budgeting, visit https://sites.google.com/a/state.co.us/ospb-live/live-form.

Follow the Governor's Office of State Planning and Budgeting on Twitter @COBudgetOffice.

Connect with us on Facebook by searching *CO Budget Office*.

Front page photos courtesy of Colorado Tourism.

Summary

- After modest increases of just 1.7 percent in FY 2015-16 and 3.0 percent in FY 2016-17, General Fund revenue is forecast to increase at stronger rates of 8.1 percent in FY 2017-18 and 4.9 percent in FY 2018-19. Relative to the June projections, the FY 2017-18 General Fund revenue forecast is higher by $126.2 million, or 1.2 percent. The forecast for FY 2018-19 is higher by $152.5 million, or 1.3 percent.

- Sales taxes and individual income taxes are rebounding in 2017 as the economy strengthens from the oil and gas downturn and moderate economic growth of 2015 and 2016. Further, corporate income tax revenue is expected to recover starting this fiscal year, albeit modestly, after declining since FY 2013-14.

- Based on preliminary information for FY 2016-17, the State's General Fund reserve ended the year $28.7 million above the required statutory reserve amount. Under this forecast and current law, the General Fund reserve for FY 2017-18 is projected to be $5.9 million above the required reserve amount.

- Under this forecast, General Fund appropriations subject to the limit can increase $635.9 million, or 6.1 percent, in FY 2018-19 over the FY 2017-18 current law amount. This number may fluctuate depending on emergency supplemental spending decisions that are before the Joint Budget Committee.

- Cash fund revenue is forecast to decrease 17.4 percent in FY 2017-18 as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee, which is a TABOR-exempt enterprise in accordance with SB 17-267. The forecast for FY 2017-18 is $33.5 million, or 1.5 percent, lower than projected in June.

- TABOR revenue was $435.9 million under the Referendum C cap in FY 2016-17, based on preliminary information. With this forecast and SB 17-267, TABOR revenue is expected to be below the cap by $507.8 million in FY 2017-18 and by $579.6 million in FY 2018-19.

- Colorado's economic growth has exhibited increased momentum thus far in 2017, led by the state's technology sector, new business formation, and growth in its skilled workforce. However, tight labor and housing market conditions are raising costs for individuals and businesses. Further, rural areas continue to experience lower job and income growth than urban areas along the Front Range. Economic growth for the nation overall has also improved in 2017, but remains more modest than in Colorado. Importantly, U.S. financial conditions remain generally supportive of expansion. However, the destructive impacts of hurricanes Harvey and Irma will cause a temporary slowdown in economic growth over the coming months in the areas affected by the storms.

- Although recession risk currently appears low, events could develop that would change this outlook. The Federal Reserve has signaled that monetary tightening will continue, which, in the current environment of modest overall U.S. growth and tempered inflation may result in slowing economic conditions. Further, uncertainty regarding the outcome of federal budget and debt limit deliberations in the coming months could result in disruptions in financial markets. There are concerns that equity markets are excessively valued. A large enough market downturn could cause investors, businesses, and households to reduce spending in the economy.

The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and globally. The OSPB forecast for economic conditions is largely unchanged from the June 2017 Colorado Outlook. The economy has performed as expected in recent months as growth has accelerated, and there have been no major new developments that would affect the expected future path of the economy. This section includes analyses of:

- Economic and labor market conditions in Colorado (page 5)
- Economic and labor market conditions for the nation (page 12)
- International economic conditions (page 15)

Trends and forecasts for key economic indicators — A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. The summary of indicators is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary — Colorado's economic growth has exhibited increased momentum thus far in 2017, led by the state's technology-related sectors, new business formation, and growth in its skilled workforce. Economic growth is expected to continue at a moderate pace through the forecast period. The state's solid expansion continues to result in some of the lowest unemployment rates in the nation. However, tight labor and housing market conditions are raising costs for individuals and businesses. Further, less populated areas continue to experience lower job and income growth than along the Front Range. This is especially the case in regions of the state that are dependent on agriculture as they struggle with subdued farm income and low commodity prices.

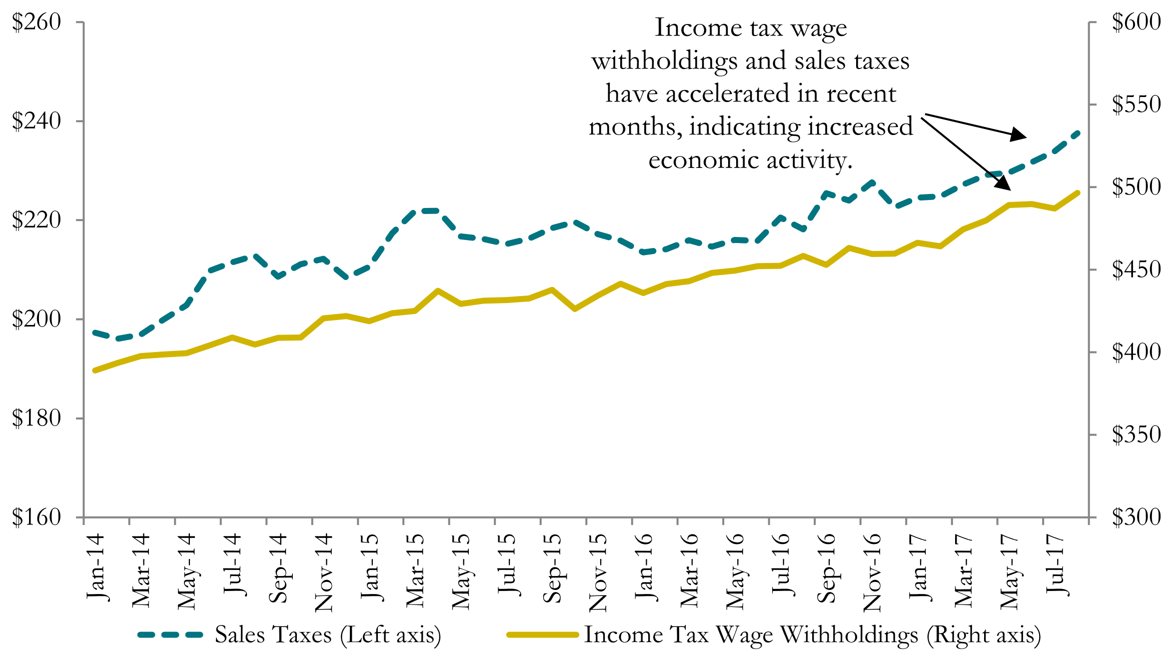
Economic growth for the nation overall has also improved in 2017, but remains more modest than in Colorado. Business contacts across the country report modest to moderate economic growth, with tightening labor market conditions. Further, leading economic indicators point to continued expansion in the coming months. Importantly, U.S. financial conditions remain generally supportive of expansion. However, the destructive impacts of hurricanes Harvey and Irma will likely cause a temporary slowdown in economic growth over the coming months in the areas affected by the storms.

Economic risks — Although recession risk currently appears low, events could develop that would change this outlook. For example, an increase in uncertainty regarding U.S. policies on international trade, as well as on the outcome of upcoming federal budget and debt limit deliberations could result in disruptions in financial markets. Further, the Federal Reserve has signaled that monetary tightening will continue, including through a reduction in the assets held on its balance sheet. As changes in monetary policy can have a large influence on economic conditions, further monetary tightening in the current environment of modest overall U.S. growth and tempered inflation may result in slowing economic conditions. In addition, there are concerns that equity markets are excessively valued. A large enough market downturn could cause investors, businesses, and households to reduce spending in the economy.

Colorado Economic Conditions

Recent strength in sales tax collections and income tax wage withholdings indicate that the overall economy in Colorado has increased momentum **–** Figure 1 shows the trends in state sales tax receipts and income tax wage withholdings, two near-real-time indicators of the condition of the state economy. Higher sales tax collections indicate that Coloradans are spending more money on goods, a key driver of economic activity. Income tax wage withholdings are a proxy for total wages paid, and data through August shows accelerating growth in recent months, indicating that wages and employment continue to grow. Both of these data trends indicate that the state's economic expansion has strengthened.

Figure 1. Indicators of Colorado's Economic Activity
(Monthly Sales Tax Collections and Income Tax Wage Withholdings, $ in millions)



*Seasonally Adjusted, Three-month moving average
Source: Colorado Department of Revenue

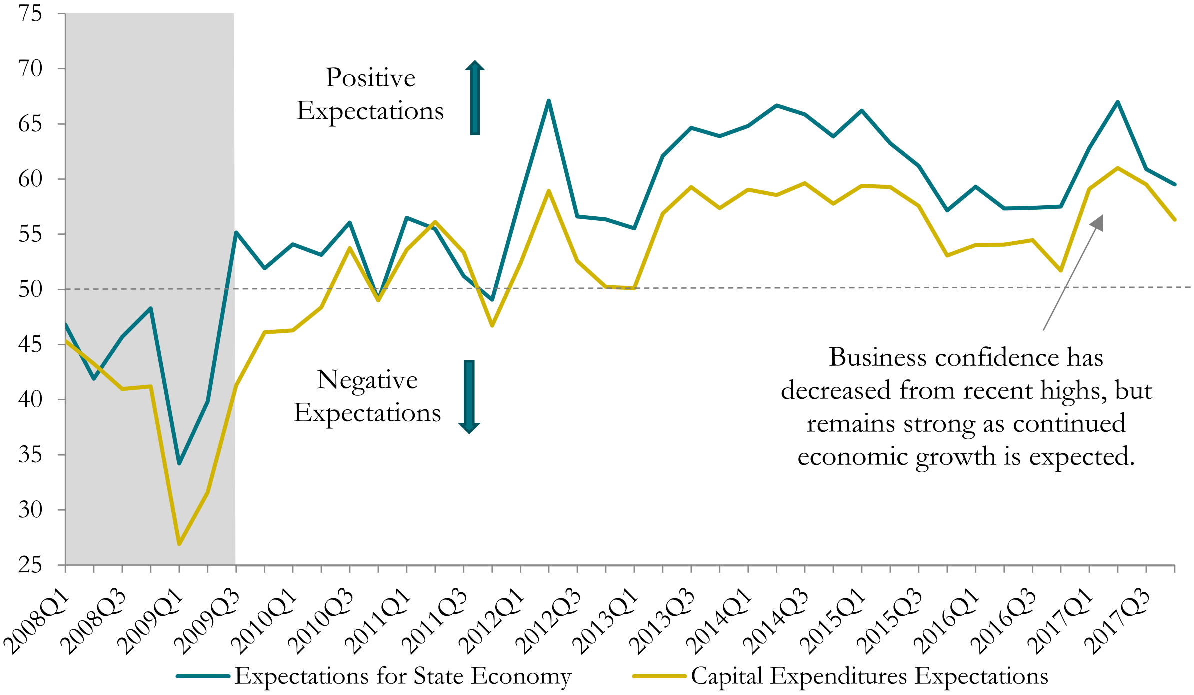
Expectations for the state economy remain positive – The Leeds Business Confidence Index, published by the University of Colorado at Boulder's Leeds School of Business, measures business expectations for the upcoming two quarters. Figure 2 shows the index for business expectations for the overall state economy as well as for capital expenditures since the Great Recession and through the end of 2017.

The indices weakened with slower economic growth in the state during 2015 and much of 2016. However, the indices rebounded toward the end of 2016 with higher positive readings, well above the neutral threshold score of 50. The end of the oil and gas industry's contraction and the acceleration of global economic growth have helped boost expectations.

Businesses' expectations for Colorado's economy remain strong, supporting continued economic expansion.

Expectations for the economy are a key factor for future performance. When expectations for the economy are positive, businesses are more likely to hire and invest, which then brings about the expected economic growth. Therefore, the recent positive readings in the index indicate continued economic expansion is likely in the near term.

Figure 2. CU Leeds Business Confidence Index*



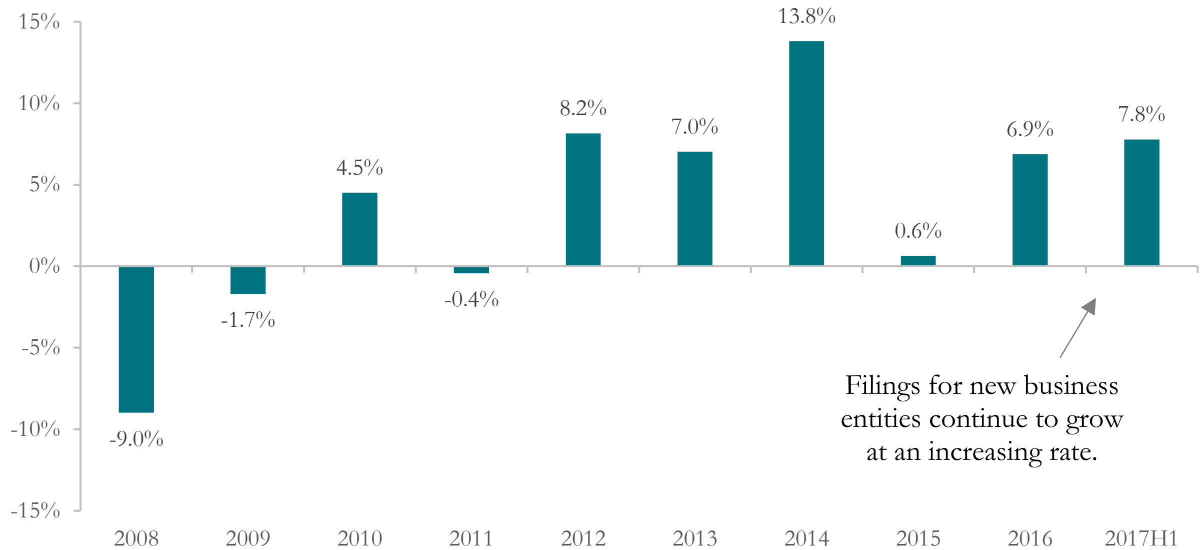
* Readings above 50 indicate positive expectations, with higher readings signifying greater business confidence, while readings below 50 represent negative expectations.
Source: CU Leeds School of Business, Business Research Division

***New business formation is showing sustained growth, a positive indicator for the state's economic outlook*—** Trends in business formation are important to gauge for assessing the underlying momentum in the economy. Increased levels of business formation indicate that individuals are seeing more opportunities in the economy. Since most new jobs in the economy are created by new businesses, business formation is also an important indicator of future job growth.

Data from the Colorado Secretary of State shows that filings of new entities formed to do business in the state, which mostly consist of limited liability companies and corporations, increased by 4,360, or 7.8 percent, in the first half of 2017 over the year prior. This higher level of new business activity will help support continued economic growth for the state. New entity filings slowed in 2015 and the first part of 2016, contributing to the slowdown in the economy during that period.

New business formation has accelerated, indicating confidence in the future of the state economy.

Figure 3. Year-over-Year Change in New Entity Filings to Do Business in Colorado



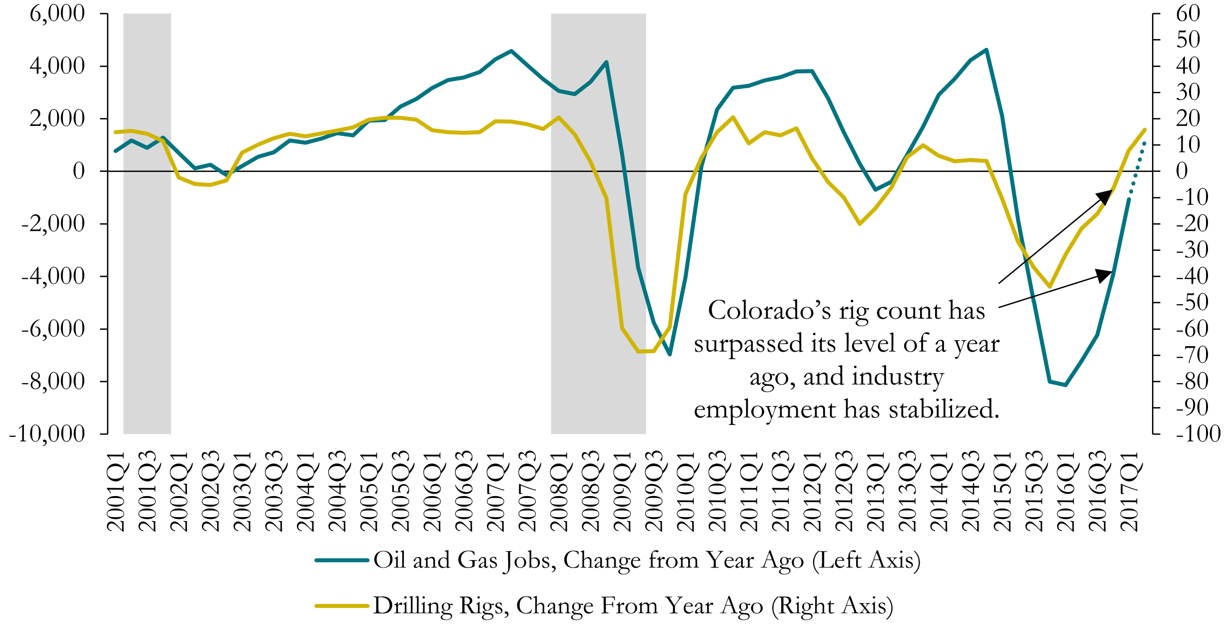
Source: Colorado Secretary of State

Oil and gas industry activity continues to grow, but at a slower rate – Regional oil and gas activity expanded at a slowing rate in the second quarter of 2017, according to a survey of regional energy producers by the Federal Reserve Bank of Kansas City. Expectations for higher oil and gas prices have fallen as U.S. oil producers continue to fill much of the output gap left by OPEC's production cuts, with the average survey respondent expecting the price of West Texas Intermediate to have risen to only $61 per barrel by 2022. As any rise in prices will incentivize further production by U.S. shale producers, the global oil supply is expected to continue to exceed global oil demand through at least 2018, according to the U.S. Energy Information Administration.

The U.S. Energy Information Administration expects global oil supply to exceed demand through at least 2018, preventing prices from increasing much above current levels.

The modest growth in regional energy activity is credited to increased global demand, along with the reduced supply caused by OPEC's (Organization of the Petroleum Exporting Countries) production cuts. The increased activity is reflected in the higher rig count and employment data for Colorado, shown in Figure 4, as the industry continues to recover from the sharp drop in energy prices and activity that began in late 2014. Given continued expectations for modest price growth, energy sector activity is unlikely to expand much above current levels.

Figure 4. Year-over-Year Change in Oil and Gas Industry Employment and Rig Counts*



*Dotted portion of line based on preliminary estimates
Source: Baker Hughes, U.S. Bureau of Labor Statistics

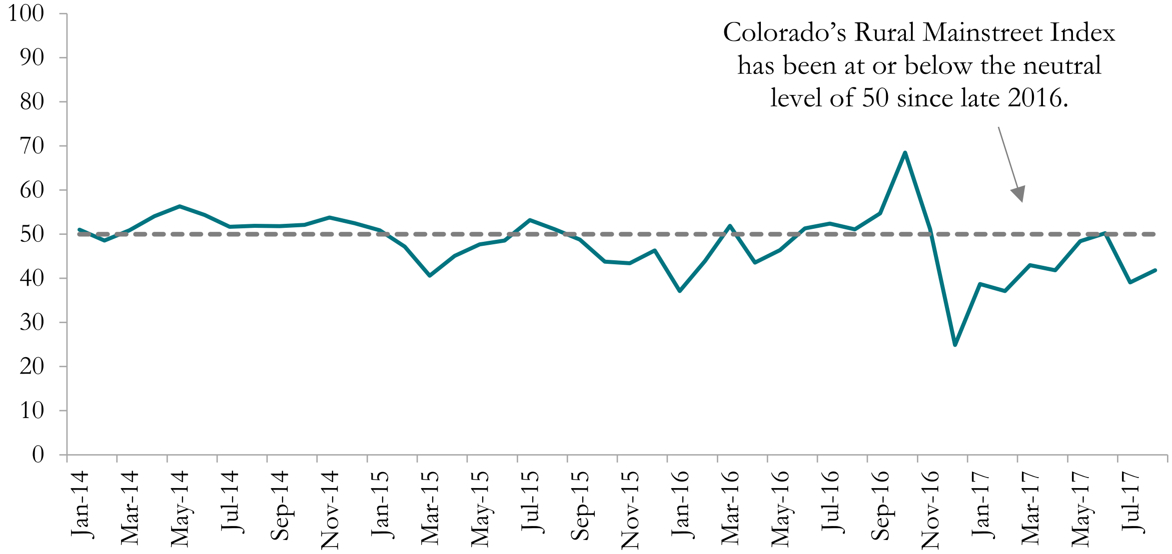
The prolonged downturn in the agricultural industry continues — Agricultural conditions remain weak due to declining farm income and continued low commodity prices. These conditions result in challenging economic conditions in rural economies tied to the agricultural industry, especially due to the prolonged downturn in the corn, cattle, and wheat markets. While the weakness in this sector continues, agricultural credit lenders have become less pessimistic about future conditions.

Farmland values continue to fall and credit conditions continue to worsen for farmers and ranchers as a result of the prolonged downturn in the agricultural industry.

Colorado's rural economies, as measured by Colorado's Rural Mainstreet Index published by Creighton University, are experiencing contracting economic conditions. The index has mostly posted weak readings since the end of 2014, as shown in Figure 5, though conditions temporarily improved during the last half of 2016.

The index measures economic activity in rural areas by surveying community banks on current economic conditions and their economic outlooks. Index readings above 50 signify growth. Since briefly registering growth with a 50.2 reading in June, the index has fallen back to 41.8 in August, due mostly to weakening farming and ranching prices and lower expectations for hiring.

Figure 5. Colorado's Rural Mainstreet Index*

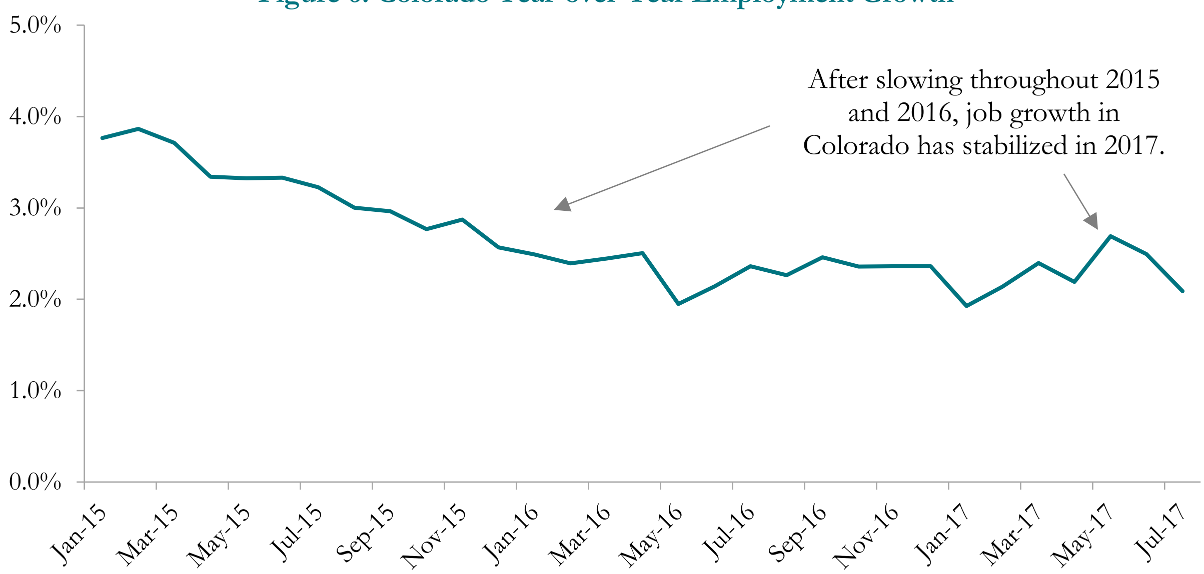


* Readings above 50 indicate expanding economic activity, with higher readings signifying stronger economic conditions, while readings below 50 represent contracting economic activity.
Source: Creighton University

Tight labor market conditions are constraining job growth – Colorado's sustained economic expansion is generating employment gains across most industries. However, tight labor market conditions are limiting further job growth.

Figure 6 shows the monthly year-over-year job growth for the state since the beginning of 2014. Job growth peaked in February 2015 at 3.9 percent and slowed over the course of 2015 and 2016. Job growth has stabilized in 2017 and there has been a slight uptick in the year-over-year job growth rate. As of July, Colorado has added 54,000 jobs over the previous twelve months, a growth rate of 2.1 percent.

Figure 6. Colorado Year-over-Year Employment Growth

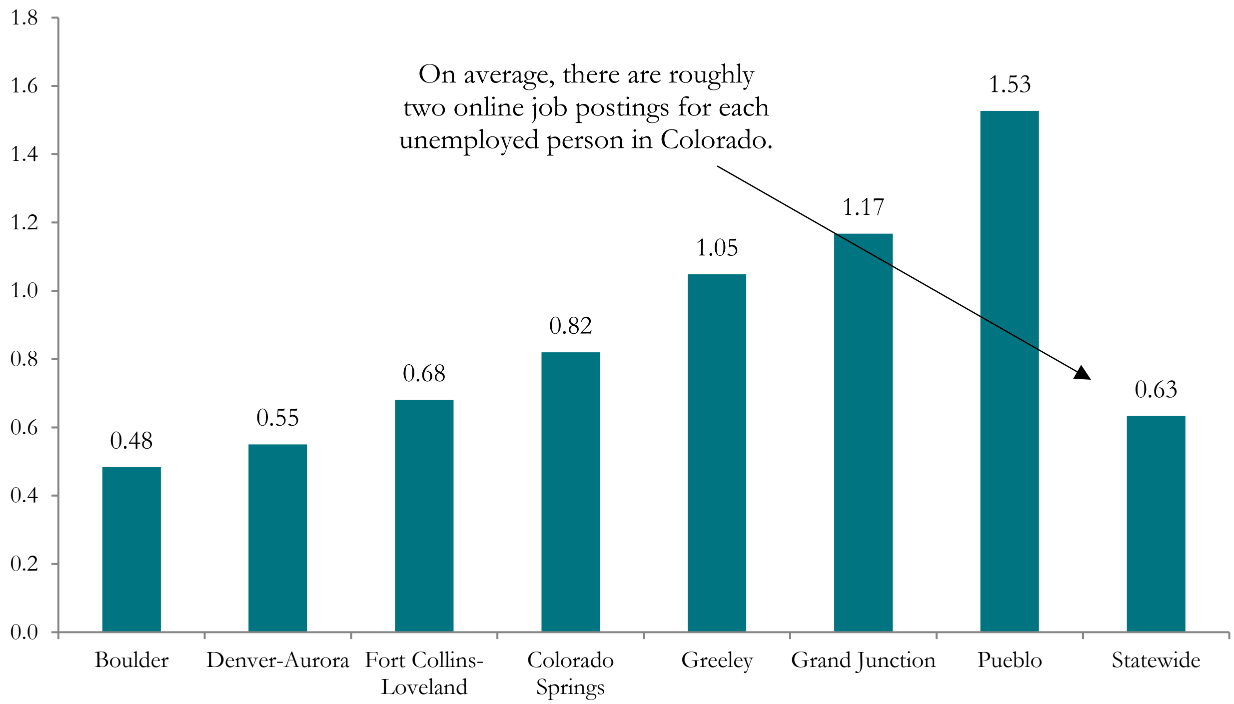


Source: Colorado Department of Labor and Employment

Colorado's Front Range labor market is among the tightest in the nation – Colorado's slower year-over-year job growth is likely at least partially due to the lack of available workers, as the state had only 0.6 unemployed people per online job posting in July according to the Conference Board. This is the second-lowest ratio in the country and well below the national average of 1.5 unemployed people per online job posting. The ratio of the number of unemployed to online job postings provides a measure of the tightness of the labor market.

Figure 7 shows the ratio of unemployed people to online job openings in July for each metro area in Colorado. Every metro area is at or below the national average, and Denver has the lowest rate of all U.S. metro areas with more than one million people.

Figure 7. Supply and Demand of Jobs by Metro Area, July 2017



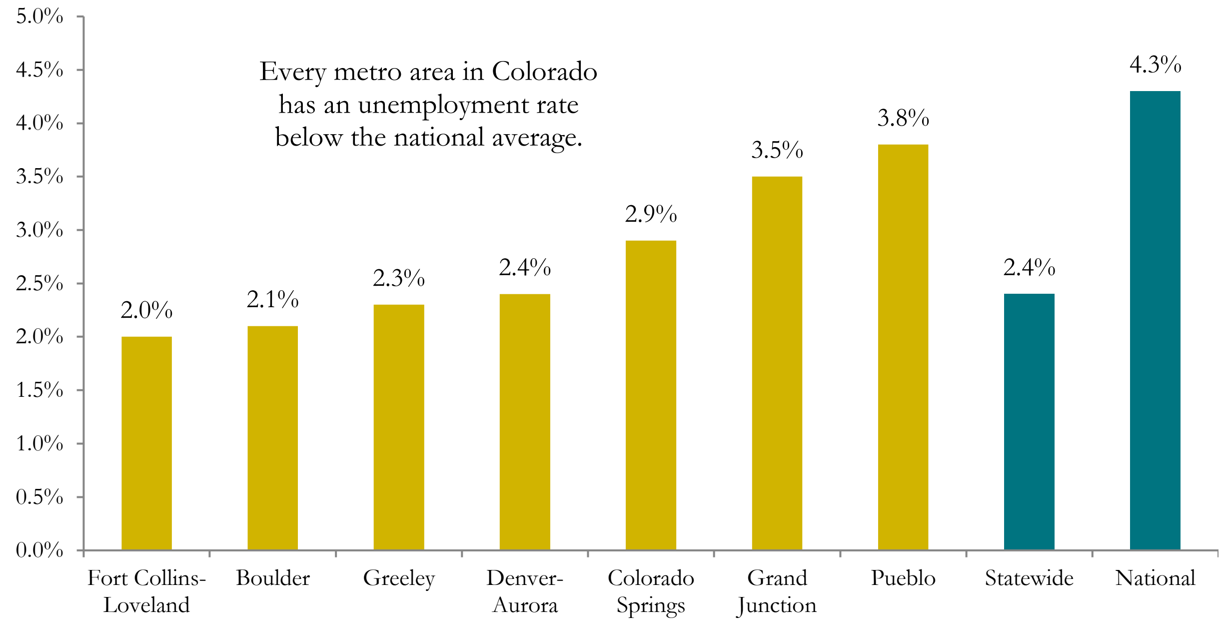
Source: The Conference Board, U.S. Bureau of Labor Statistics

Colorado's unemployment rate remains at historically low levels – The unemployment rate in Colorado remains near its lowest levels on record, at 2.4 percent in August, the second-lowest rate in the U.S.

Colorado has the second-lowest unemployment rate among states, while Denver has the lowest unemployment rate among cities with more than 1 million people.

The broadest measure of unemployment – the "U-6" rate, which also counts individuals who would like to work but have not looked for a job in the prior four weeks, as well as part-time workers who would like full-time employment – was at 6.4 percent over the prior year in June 2017, below the prior expansion's low of 7.3 percent in 2007. While this creates a positive environment for job seekers, the state's low unemployment is likely acting as a constraint on economic growth by making it difficult for employers to find qualified candidates to fill open positions.

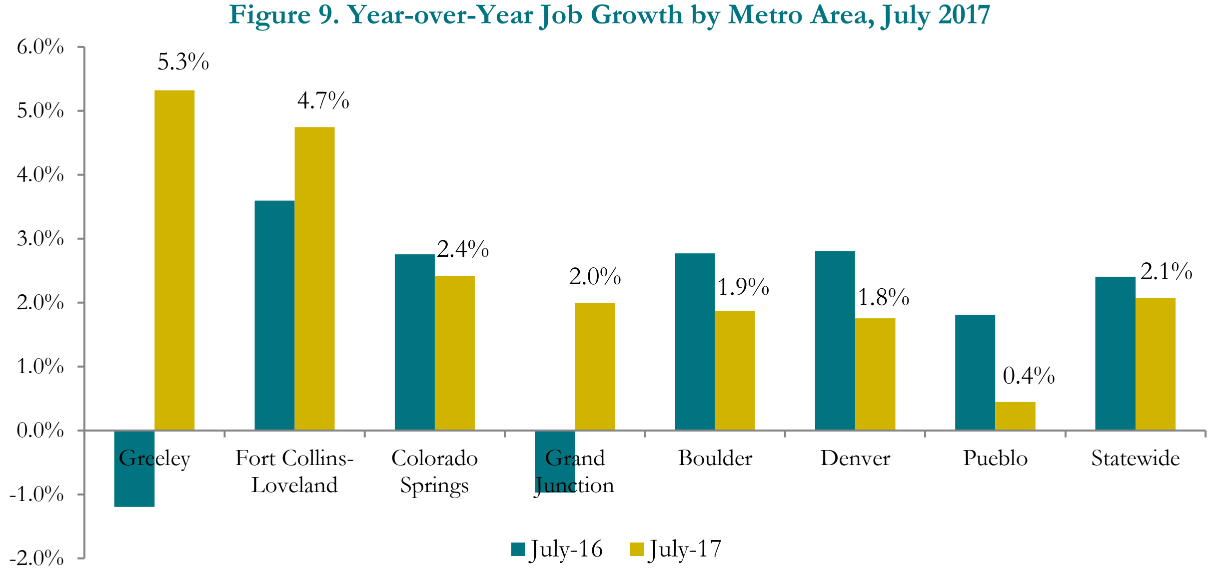
Figure 8. Unemployment Rate by Metro Area, July 2017



Source: U.S. Bureau of Labor Statistics

Among metro areas, Greeley has experienced the most job growth over the last twelve months through July, at 5.3 percent, followed by Fort Collins at 4.7 percent. Greeley, Fort Collins, and Grand Junction all experienced faster job growth during this period than the prior year, while the other metro areas had slower growth over the past twelve months, as shown in Figure 9. Greeley and Grand Junction returned to positive job growth as the oil and gas sector stabilized.

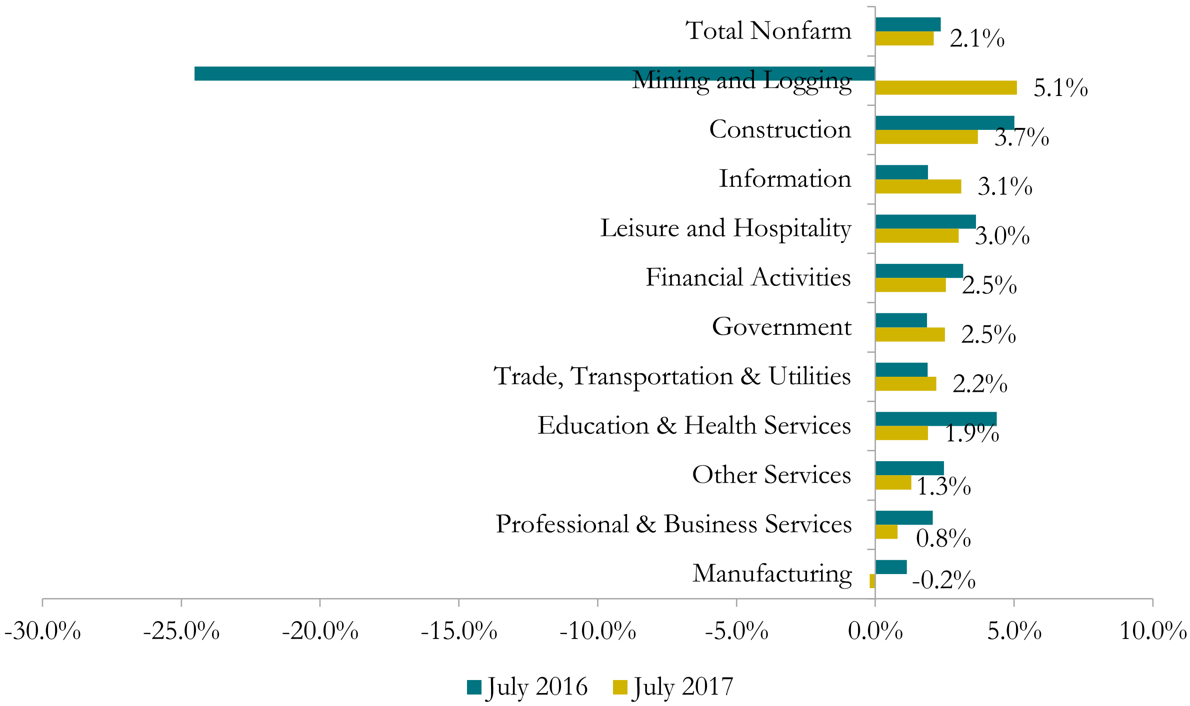
Figure 9. Year-over-Year Job Growth by Metro Area, July 2017



Source: Colorado Department of Labor and Employment

As seen in Figure 10, mining, construction, and information were the industry categories that posted the largest year-over-year job growth, growing by more than three percent. Manufacturing was the only industry to have fewer jobs in July than a year ago.

Figure 10. Colorado Year-over-Year Job Growth by Industry



Source: Colorado Department of Labor and Employment

U.S. Economic Conditions

Modest U.S. economic growth is expected to continue, despite the destructive impacts of hurricanes Harvey and Irma. The substantial, widespread property damage and lost productive capacity will likely slow economic growth slightly for the U.S. overall over the next few months, but this drag will be reversed in following months as the negative effects are offset by increased consumer spending, business investment, and construction activity.

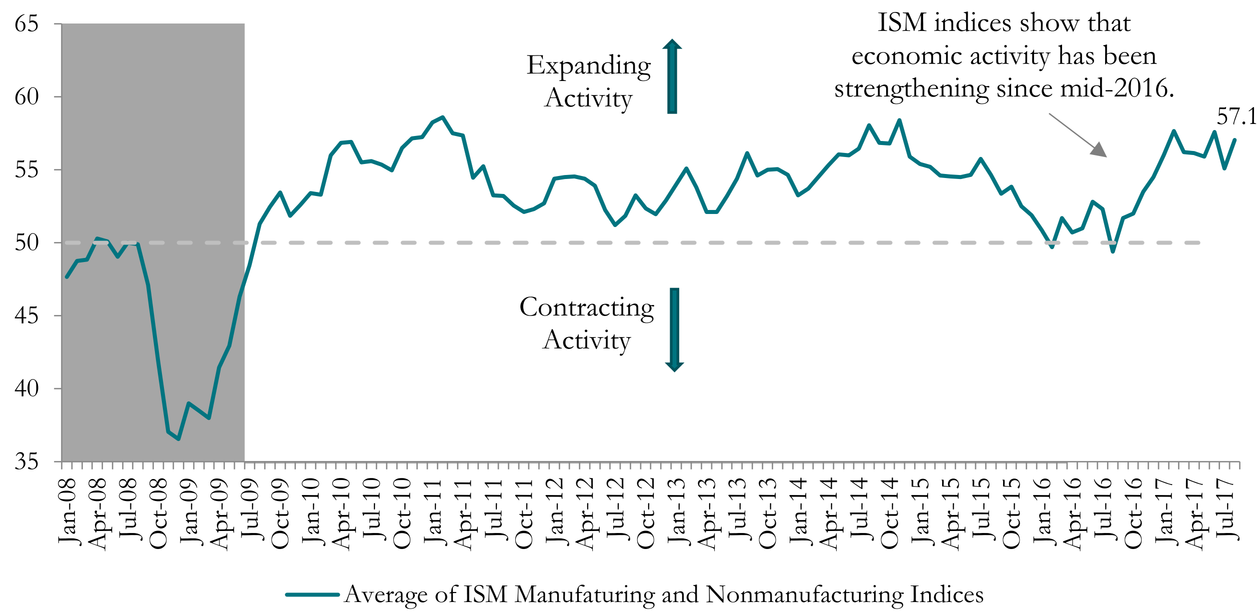
The ISM non-manufacturing index, which tracks the largest portion of U.S. economic activity, continues to show modest expansion driven by strong growth in the employment component.

The Manufacturing Composite Index and the Non-Manufacturing Composite Index, published by the Institute for Supply Management (ISM), report the momentum of economic activity as assessed by businesses across the country and in most industries. The August indices show that both the manufacturing and non-manufacturing sectors continue to expand. These indices use data collected from business surveys that gauge activity by tracking key behaviors, such as placing new orders, increasing production volume, hiring new employees, and making deliveries. An average of the two indices, reported in Figure 11, provides a reliable barometer of overall U.S. economic activity.

The non-manufacturing index, which tracks the largest portion of economic activity in the U.S., covering wide ranging industries such as agriculture, professional, scientific, and technical services, retail, and construction, registered 55.3 in August, representing the ninety-second month of continued growth. The index remains above the 50 threshold, indicating that the non-manufacturing sector of the economy is continuing to grow at a slightly faster pace thus far in 2017 than last year. Further, the employment component of the index increased 2.6 percentage points with all but two industries reporting employment gains, signaling continued confidence in the economy in 2017.

The ISM manufacturing sector index registered 58.8 in August, a 2.5 percentage point increase over July with fourteen of the eighteen manufacturing industries surveyed reporting higher production activity with only three industries reporting a slowdown.

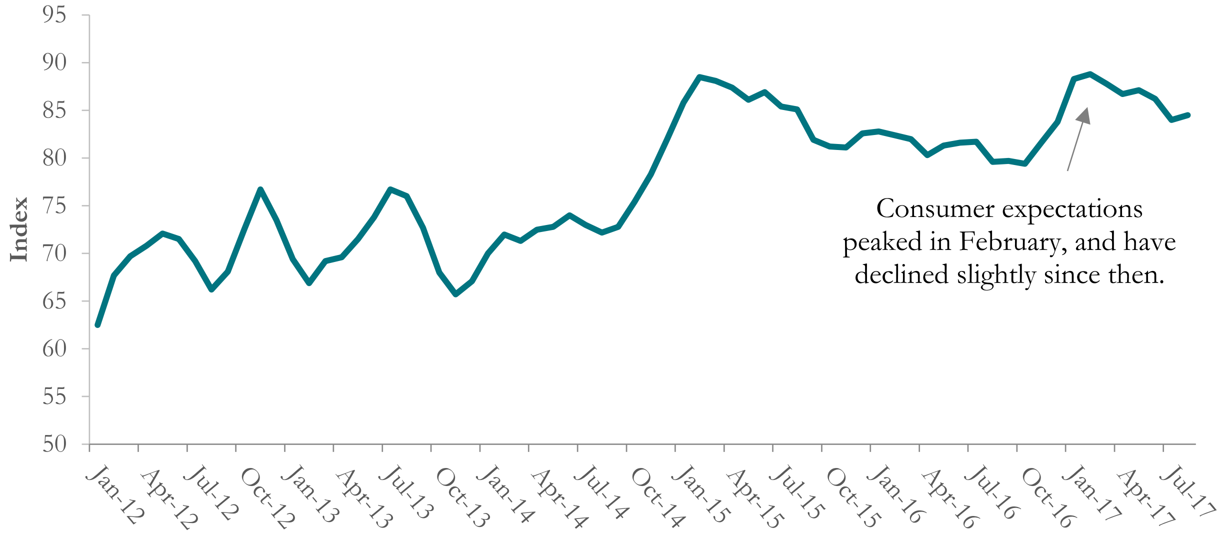
Figure 11. Average of ISM Manufacturing and Non-Manufacturing Indices*



*Readings above 50 indicate expansion in the industry while readings below 50 indicate contraction.
Source: Institute for Supply Management

Consumer confidence remains high, but is leveling off – As shown in Figure 12, the Michigan Index of Consumer Expectations remains near its highest level of the current economic expansion. The recent higher values for the index signal optimism about the economy going forward, especially in the job market.

Figure 12. Index of Consumer Expectations



Source: University of Michigan

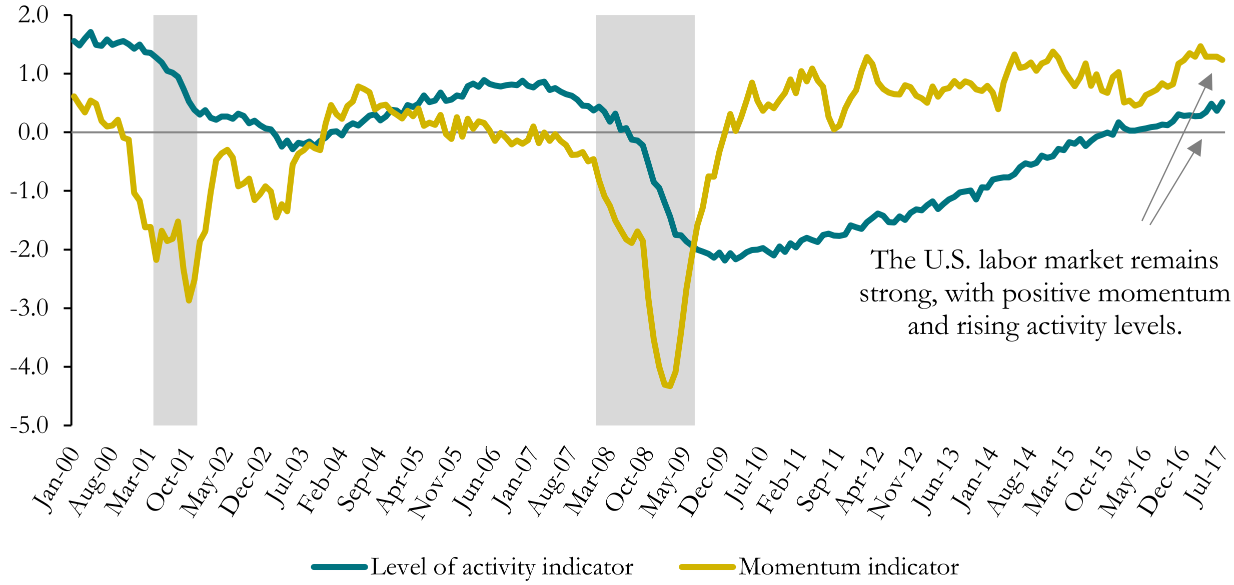
Global economic expansion and a weakening dollar are fueling increases in corporate earnings.

Corporate earnings show renewed strength **–** According to Bloomberg, more than three-quarters of S&P 500 member companies beat their earnings expectations in the second quarter. The increased revenues have been driven largely by international earnings, as the U.S. dollar has been weakening and is now approaching its lowest level in two years. A weaker dollar boosts revenue by making U.S. exports cheaper for foreign buyers, while also increasing the dollar value of foreign sales. The momentum gained in the second quarter is expected to continue through the third quarter.

Labor market momentum remains solid as the economy approaches full employment **–** The U.S. labor market remains strong as the official unemployment rate – or the "U-3" rate, at 4.4 percent in August – remains low. The low unemployment rate indicates the U.S. labor market is close to its full employment level.

The Federal Reserve Bank of Kansas City tracks labor market conditions with a proprietary index measuring both momentum and activity levels. Their analysis shows that labor market momentum has been improving since the spring of 2016 and hit a record high in March 2017, while the level of activity recently surpassed its historical average and reached its highest level since the Great Recession. In Figure 13 below, positive values indicate that labor market conditions are above their long-run average, while negative values indicate that labor market conditions are below their long-run average.

Figure 13. Kansas City Fed Labor Market Conditions Indices



Source: Federal Reserve Bank of Kansas City

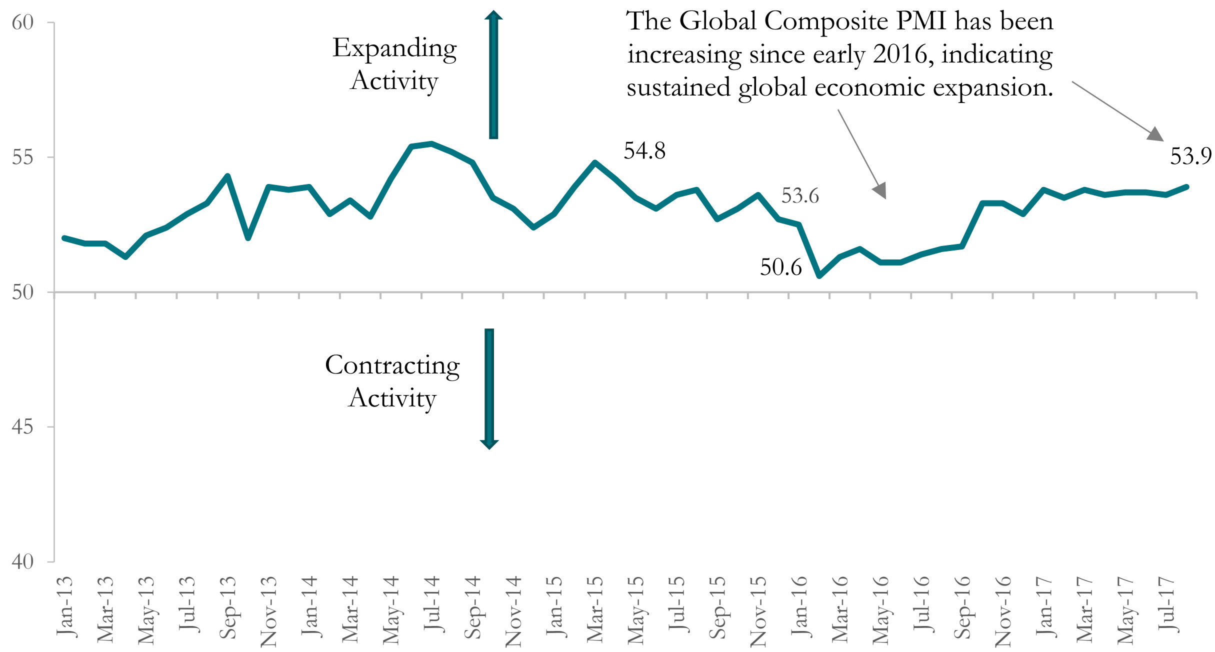
International Economic Conditions

The global economy is experiencing a sustained acceleration in economic growth – The global economy continued to strengthen in the second quarter, and the expansion is expected to continue in the near future.

Global PMIs indicate accelerating global growth with a positive outlook.

The JP Morgan Global Composite PMI – an indicator of cyclical economic trends – registered 53.9 in August, reaching its highest level since early 2015. PMIs above 50 indicate economic expansion, while PMIs below 50 indicate economic contraction. The components of the PMI also suggest a positive outlook, with all underlying components rising, signaling a broad and accelerated expansion of global economic output.

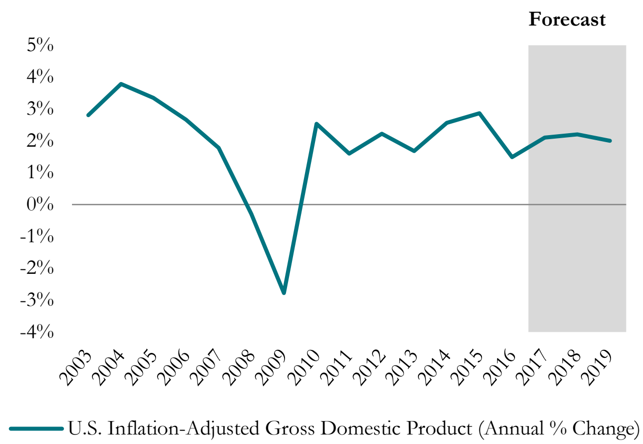
Figure 14. JP Morgan Global Composite PMI



Source: IHS Markit

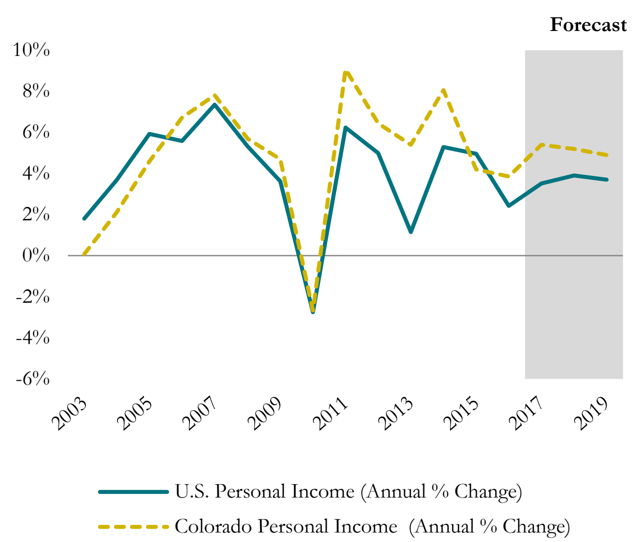
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



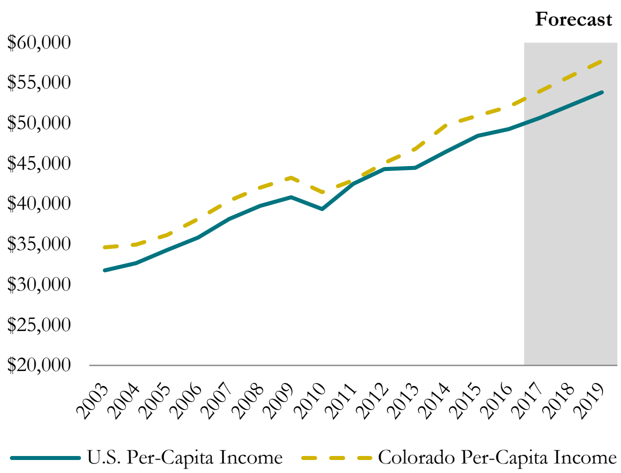
- GDP is a standard barometer for the economy's overall performance and reflects the value of final output produced in the U.S.
- The U.S. economy posted a modest 1.5 percent expansion in 2016. The pace of growth is forecast to reach 2.1 percent in 2017 and 2.2 percent in 2018 as the global economic expansion continues.

U.S. and Colorado Personal Income



- Personal income growth in Colorado slowed to 3.9 percent in 2016 due to slower job growth. Personal income growth will increase in 2017; statewide personal income is expected to increase 5.4 percent in 2017 and 5.2 percent in 2018.
- Nationwide, personal income grew 2.4 percent in 2016 and is expected to grow 3.5 percent in 2017. A tight labor market and gradual wage increases will allow personal income growth to be slightly higher through the rest of the forecast period.

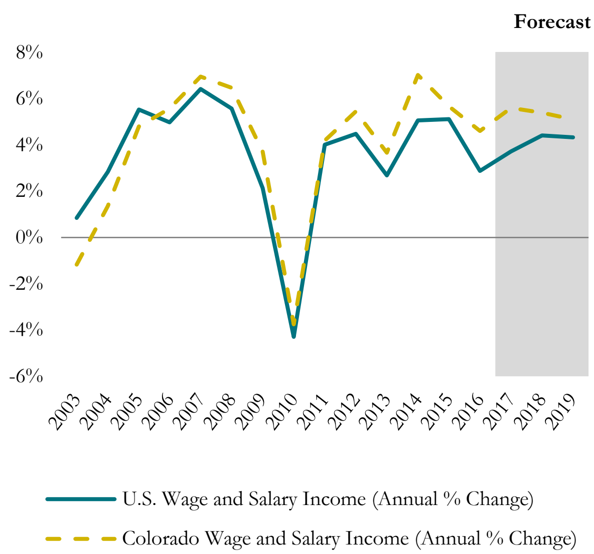
U.S. and Colorado Per-Capita Income



- Per-capita income continues to grow faster in Colorado than the nation overall, increasing to $52,059 in 2016 and is expected to grow by 3.7 percent to $53,978 in 2017.

- In the U.S., per-capita income increased to $49,295 in 2016 and will grow by 2.8 percent to $50,667 in 2017.

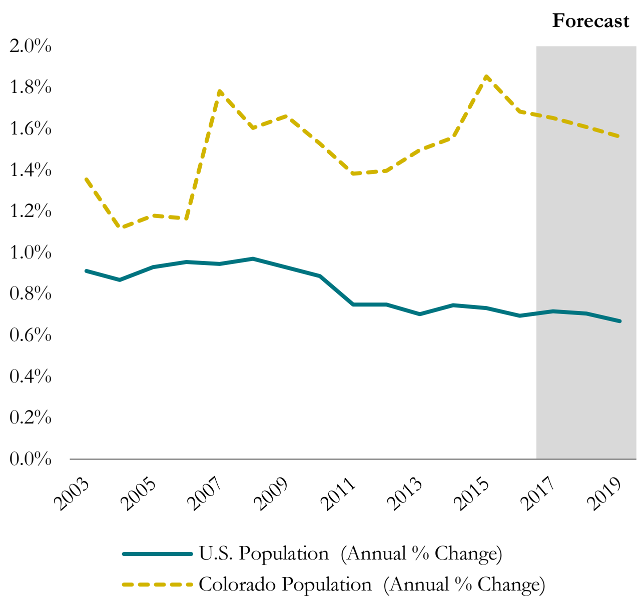
U.S. and Colorado Wage and Salary Income



- Wages and salaries grew at a slower rate of 4.6 percent in Colorado in 2016. Growth is expected to increase to 5.6 percent in 2017 and then moderate slightly in 2018 and 2019.

- Wage and salary income for the nation increased 2.9 percent in 2016. Continued tight labor market conditions will result in wage and salary growth of 3.7 percent in 2017 and 4.4 percent in 2018.

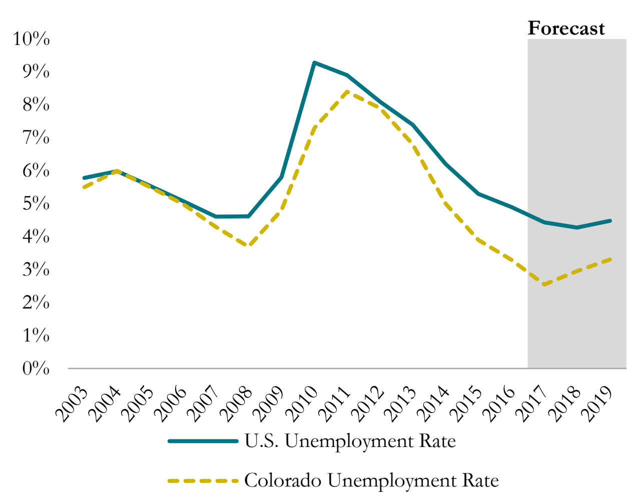
U.S. and Colorado Population



- High in-migration rates pushed Colorado's population growth rate to 1.7 percent in 2016, over double the national rate. A similar trend will continue in 2017, as the state is expected to add 61,500 people through net migration alone. The state's total population is expected to reach 5.8 million by 2019.

- The nation's population growth rate will remain steady at about 0.7 percent per year, as the population reaches 330.0 million by 2019.

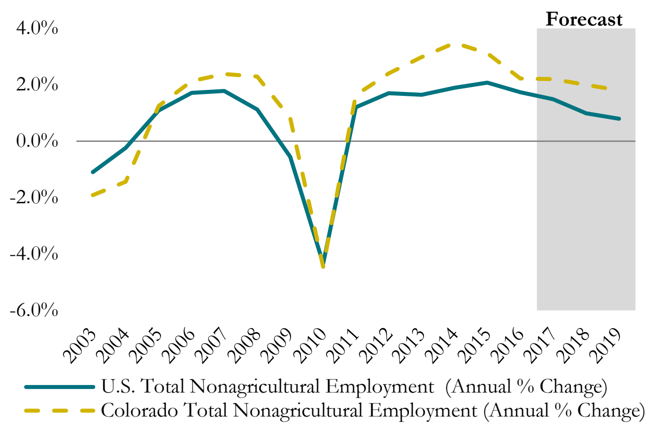
U.S. and Colorado Unemployment



- The unemployment rate in Colorado averaged 3.3 percent in 2016, down over 1.5 percentage points from 2014 despite the oil and gas slowdown. Unemployment is expected to remain among the lowest in the nation averaging 2.4 percent in 2017 and 2.8 percent in 2018.

- The national unemployment rate followed a similar trend in 2016, but remained more than a 1.5 percentage points higher than in Colorado, averaging 4.9 percent in 2016. Continued improvements in the labor market will cause the rate to drop to 4.4 percent in 2017 and 4.3 percent in 2018.

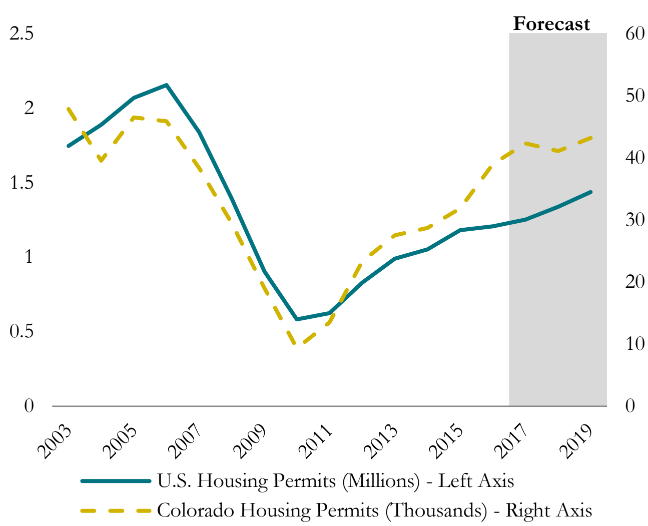
U.S. and Colorado Total Nonagricultural Employment



- Average employment in Colorado grew at a modest 2.2 percent rate in 2016. Job growth will remain steady in 2017 as the labor market remains tight before slowing slightly in 2018.

- Similar to Colorado, the growth rate of U.S. nonfarm payroll jobs slowed in 2016. Job growth will continue to slow nationwide as the labor market approaches full employment, with expected growth of 1.5 percent in 2017 and 1.0 percent in 2018.

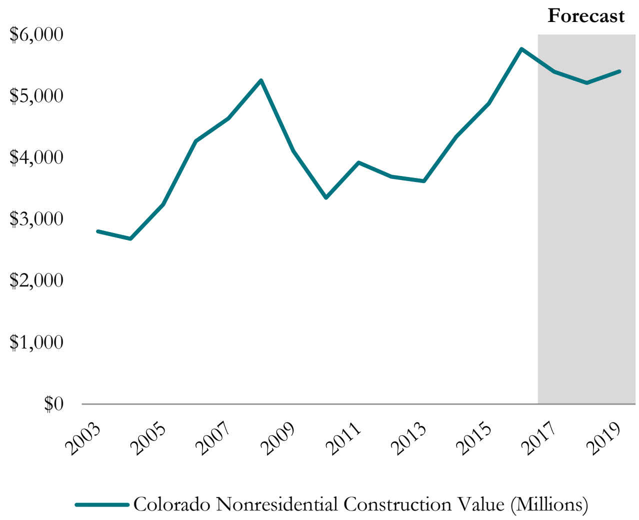
U.S. and Colorado Housing Permits Issued



- In 2016, Colorado housing permits increased 22.3 percent, with 38,974 permits issued; 42,328 permits are projected for 2017. The increases continue to be driven by population growth and strength in the state's metro housing markets.

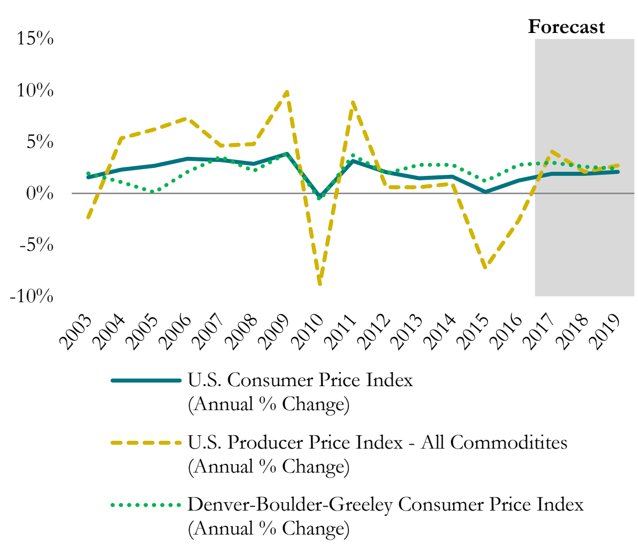
- U.S. housing permits posted growth of just 2.0 percent in 2016 compared to the more robust growth rate of 12.4 percent in 2015, and are expected to grow 3.7 percent in 2017. OSPB forecasts a return to slightly higher growth rates in 2018 and 2019.

Colorado Nonresidential Construction Value



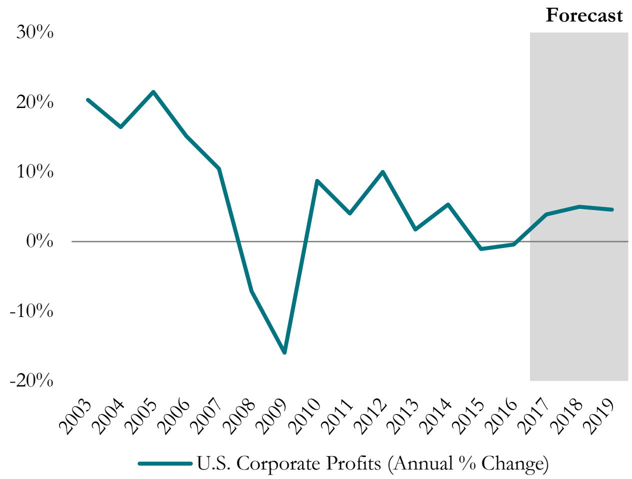
- Nonresidential construction value in Colorado increased by 18.1 percent in 2016, the highest growth rate since 2014. The value of nonresidential construction will decline slightly over the forecast period but remain at a high level, declining by 6.4 percent in 2017 and 3.4 percent in 2018.

Consumer Price Index and Producer Price Index



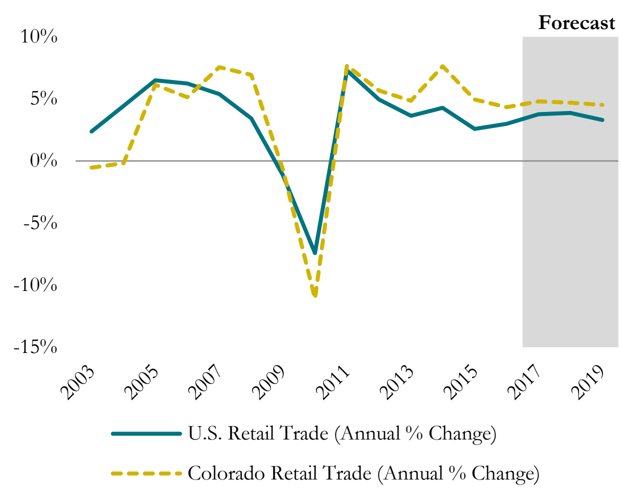
- Consumer prices nationally increased by 1.3 percent in 2016. OSPB expects the U.S. CPI to rise 1.9 percent in 2017 and 2018.
- Producer prices fell another 2.6 percent in 2016, mostly due to low fuel and commodity prices. This trend should reverse in 2017 when the index is expected rise 4.1 percent before moderating to 2.1 percent growth in 2018.
- The Denver-Boulder-Greeley CPI increased by 2.8 percent in 2016, more than twice the national average. Inflation will remain above the national average in 2017 at 3.0 percent before moderating over the remainder of the forecast period.

U.S. Corporate Profits



- U.S. corporate profits fell by 0.4 percent in 2016 as a weak global economy and a strong dollar impacted earnings early in the year before recovering in the last quarter.
- Profit growth is expected to return with forecasted increases of 3.9 percent in 2017 and 5.0 percent in 2018.

Retail Trade



- Retail sales in Colorado will grow 4.8 percent in 2017; sales growth will moderate over the forecast period with increases of 4.7 percent in 2018 and 4.5 percent in 2019.
- Nationwide retail trade increased a moderate 3.0 percent in 2016. Sales are expected to grow 3.8 percent in 2017 and 3.9 percent in 2018 as the economic expansion continues.

General Fund and State Education Fund Revenue Forecast

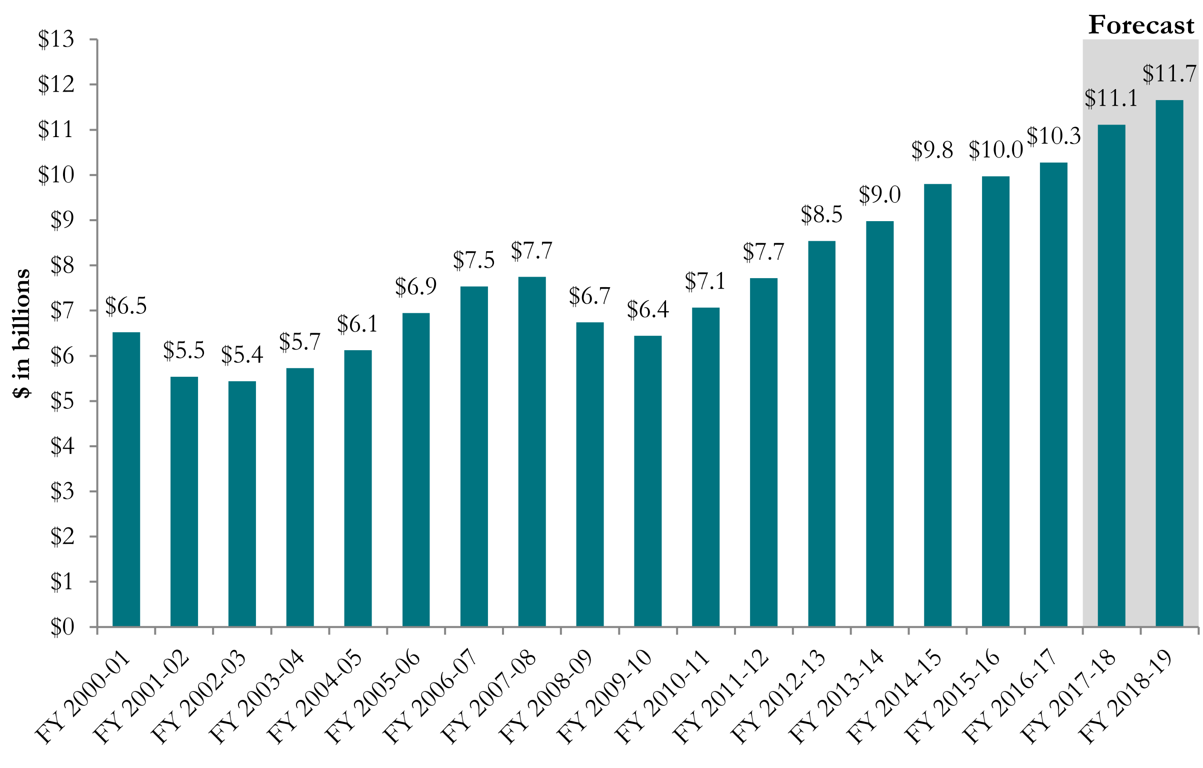
Relative to the June projections, the FY 2017-18 General Fund revenue forecast is higher by $126.2 million, or 1.2 percent. The forecast for FY 2018-19 is higher by $152.5 million, or 1.3 percent. After modest increases of just 1.7 percent in FY 2015-16 and 3.0 percent in FY 2016-17, General Fund revenue is forecast to increase at a stronger rate of 8.1 percent in FY 2017-18.

After slowing during the oil and gas downturn and weaker economic growth of 2015 and 2016, sales taxes and individual income taxes are rebounding in 2017 as the economy has strengthened. Further, corporate income tax revenue is expected to recover starting this fiscal year, albeit modestly, after declining since FY 2013-14.

General Fund revenue is forecast to grow at a higher rate in FY 2017-18 due mostly to the state's recent increase in economic growth.

Figure 15 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2018-19. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix. For more details on the economy, the main determinant of General Fund revenue, see "The Economy: Issues, Trends, and Forecast" section of this forecast, which starts on page 4.

Figure 15. General Fund Revenue

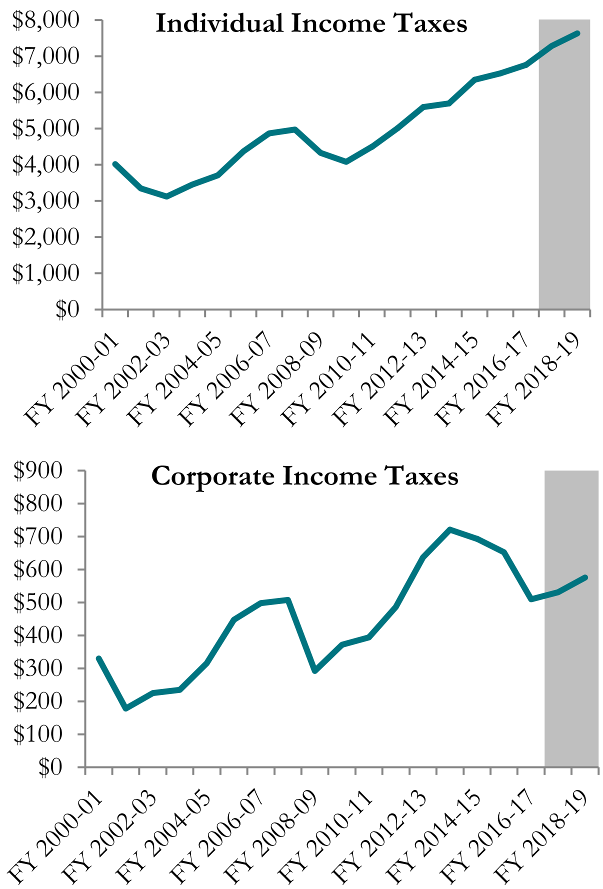


Source: Office of the State Controller and OSPB forecast

Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major General Fund revenue sources that together make up 95 percent of the total fund: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the remaining group of miscellaneous sources ─ such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor ─ will grow modestly over the forecast period. Figure 16 show actual revenue collections as well as the forecast for General Fund revenue sources.

Figure 16. General Fund Revenue Sources ($ in millions)



Source: Office of the State Controller and OSPB forecast

Individual income tax – Individual income tax collections grew 3.6 percent in FY 2016-17 after an increase of 2.8 percent in FY 2015-16. Collections are forecast to increase at a stronger rate of 7.8 percent in FY 2017-18 and 4.8 percent in FY 2018-19. Individual income tax collections from wage withholdings are growing at an accelerating rate as Colorado's tight labor market pushes wages higher and attracts job-seekers from out-of-state.

Individual income tax collections will grow at a stronger rate in FY 2017-18 as Colorado's tight labor market leads to higher wages and attracts job-seekers from other states.

Although the stock market rebounded in 2016, it appears some of the weakness in income tax revenue that occurred in FY 2016-17 is a result of investors delaying the realization of gains in anticipation of federal income tax reductions. This forecast assumes that some of the deferred gains will be realized in tax year 2017, which, along with continued solid stock market performance this year, will boost collections for FY 2017-18. Estimated income tax payments are forecast to grow 10.9 percent in FY 2017-18 and 7.7 percent in FY 2018-19. Estimated income tax payments are taxes paid on income that is not subject to withholding, such as earnings from self-employment, rents, and investments.

There is a high degree of uncertainty surrounding the forecast on tax collections from investment gains. The amount of investment gains that were delayed and that will be realized in the future is unknown and difficult to predict. Further, the timing of major federal tax legislation which could affect the realization of gains is uncertain. Other provisions in any federal tax legislation could also affect income tax collections as state taxable income is tied to federal taxable income. Thus, the forecast for income tax revenue may materially change as new information becomes available.

Corporate income tax – Corporate income tax collections are projected to increase 4.2 percent in FY 2017-18 after falling by 21.9 percent in FY 2016-17. The forecasted increase in FY 2017-18 would be the first increase in fiscal year corporate income tax collections since FY 2013-14.

Corporate income taxes are projected to rebound with 4.2 percent growth in FY 2017-18, the first increase since FY 2013-14. However, corporate tax collections are expected to remain below their levels from earlier in the expansion.

Corporate earnings weakened starting in 2015 after jumping to high levels earlier in the economic expansion. Sluggish global economic conditions, the decline in commodity prices, and the strong appreciation in the dollar weighed on the profits of multinational corporations. However, earnings have improved since the last half of 2016 with stronger growth internationally, a softening in the value of the dollar, and the stabilization of oil prices. Expectations are for continued earnings growth with the ongoing economic expansion.

Although renewed growth in corporate income tax collections is forecast, future increases are expected to be constrained by higher business costs, especially for employee compensation and debt payments, which will reduce profit margins and result in larger tax deductions and lower tax liabilities.

Corporate income tax revenue is among the most volatile General Fund revenue sources as it is influenced by special economic factors and the structure of the corporate income tax code. Trends in corporate profits are the main determinant of corporate income tax collections.

Sales and use tax – Sales tax revenue increased 6.5 percent in FY 2016-17 and is expected to increase an additional 10.7 percent in FY 2017-18 and 4.8 percent in FY 2018-19.

Sales tax revenue is accelerating at an increasing rate as Colorado's strong economy provides consumers with more disposable income and business spending has picked up. Colorado auto sales, a major source of sales tax revenue, are up by 13 percent through July, driven by the strong economy, low gas prices, and widely available credit.

Sales tax revenue is forecast to increase 10.7 percent in FY 2017-18. This growth is being driven by increased consumer activity, especially in auto sales, a pick-up in business spending, and an increase in the special sales tax rate on retail marijuana.

A portion of FY 2017-18's 10.7 percent projected increase is due to the higher tax rate for the special sales tax on retail marijuana sales pursuant to SB 17-267. This legislation increased the tax rate from 10 percent to 15 percent starting July 1, 2017. However, SB 17-267 also exempted retail marijuana from the state's 2.9 percent sales tax, making the net tax increase 2.1 percentage points.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include a Colorado sales tax. Use taxes bring in a much smaller amount of revenue than sales taxes and are often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Use tax collections are increasing 11.7 percent in FY 2017-18 and are projected to increase another 5.0 percent in FY 2018-19. Much of the increase in use tax collections is due to stronger economic growth. However, a portion of the FY 2017-18 increase is due to the implementation of reporting requirements on online sales, pursuant to House Bill 10-1193. This law requires out-of-state retailers that do not collect Colorado sales tax to notify the purchasers of their tax liability as well as the Colorado Department of Revenue. Implementation of this law was delayed due to litigation that has now been resolved. Implementation will begin in FY 2017-18 when it is estimated to increase use tax collections by approximately $6 million.

State Education Fund Revenue Forecast

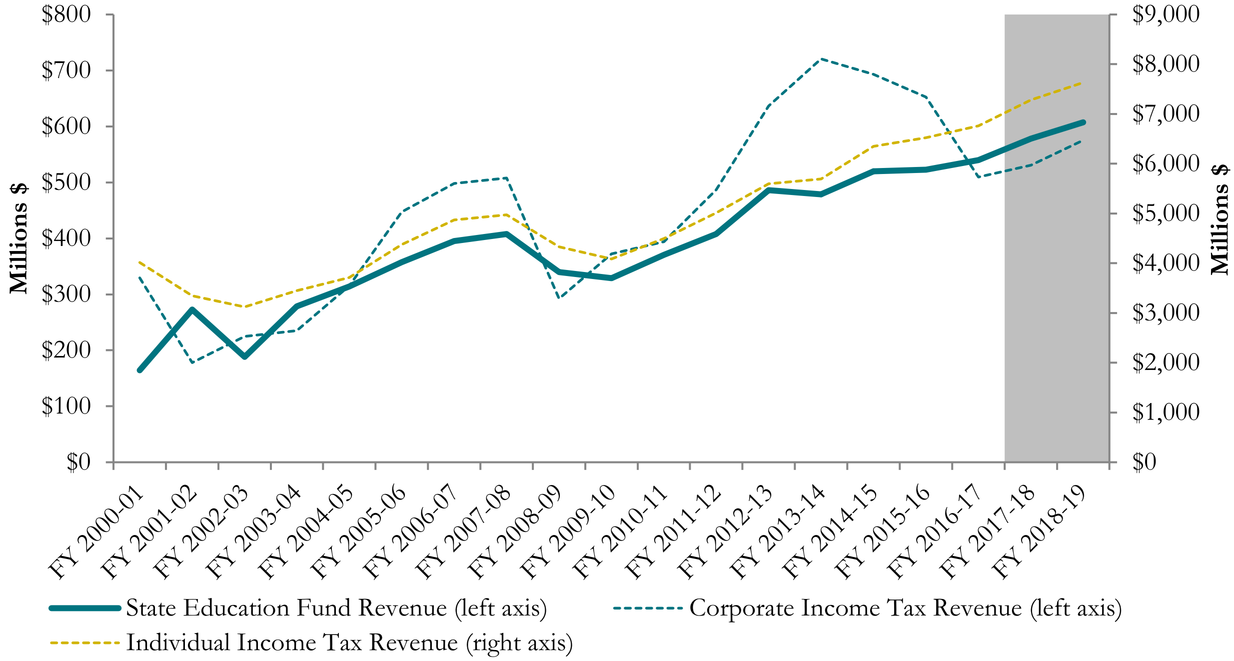
Tax revenue to the State Education Fund will increase 7.1 percent and 5.0 percent in FY 2017-18 and FY 2018-19, respectively.

The Colorado Constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Tax revenue to the State Education Fund will increase 7.1 percent and 5.0 percent in FY 2017-18 and FY 2018-19, respectively.

Because State Education Fund revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The strong growth rate this fiscal year is due largely to higher individual income tax collections driven by the strong economy and labor market, as discussed above. Continued economic expansion will allow for State Education Fund revenue growth to continue in FY 2018-19.

Figure 17. State Education Fund Revenue from One-Third of One Percent of Taxable Income



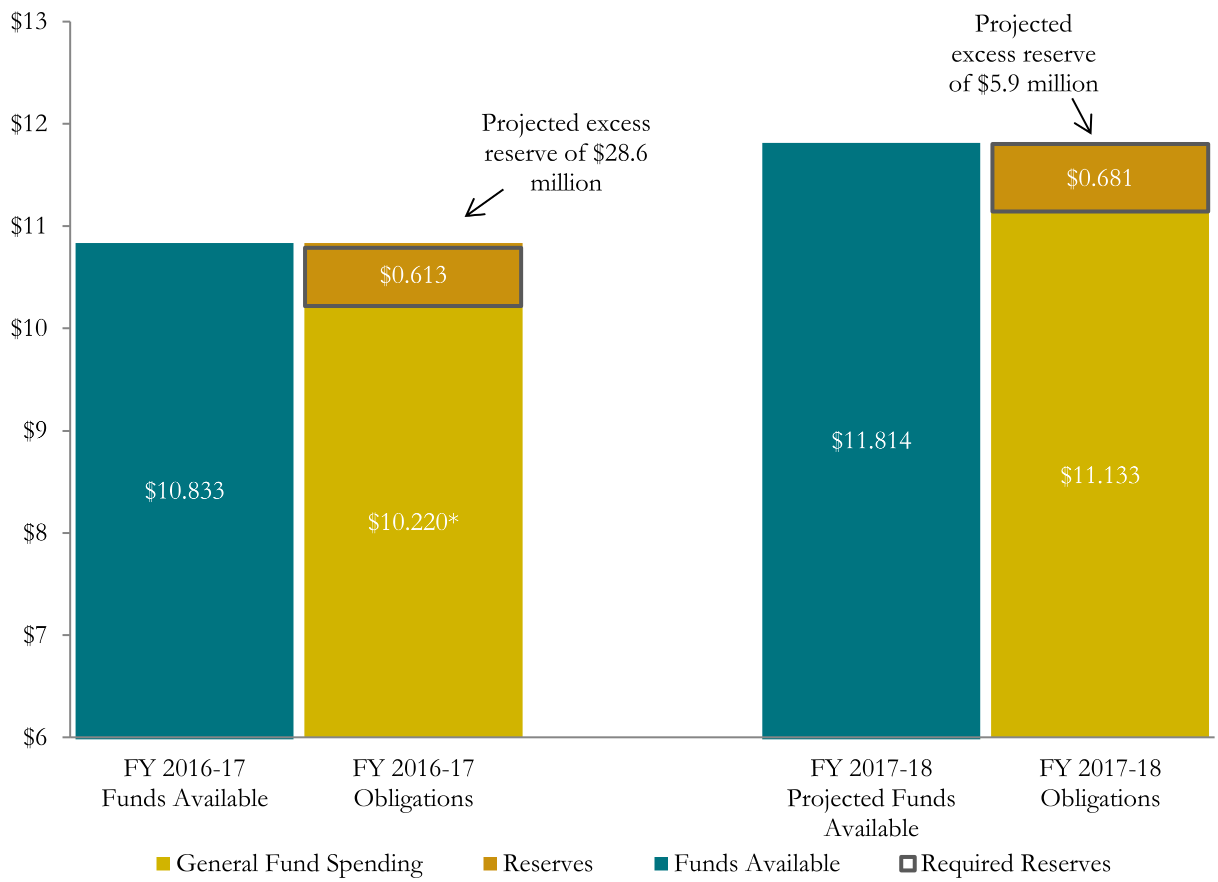
Source: Office of the State Controller and OSPB forecast

General Fund and State Education Fund Budget

General Fund – As discussed in the "General Fund and State Education Fund Revenue Forecast" section starting on page 23, the General Fund revenue forecast for FY 2017-18 is higher by $126.2 million, or 1.2 percent, compared to the June 2017 forecast. The forecast for FY 2018-19 is higher by $152.5 million, or 1.3 percent. With this forecast and the budget for FY 2017-18, the State's General Fund reserve is projected to be $5.9 million above the required statutory reserve amount of 6.5 percent of appropriations.

Figure 18 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2016-17 and FY 2017-18. Appropriation amounts for FY 2017-18 reflect current law.

Figure 18. General Fund Available, Obligations, and Reserves, $ in Billions



*FY 2016-17 obligations incorporate reversions and accounting adjustments reported by the State Controller's Office as of time of publication.

Senate Bill 17-267 – The passage of SB 17-267 during the 2017 session changed a number of factors that affect the State budget. The legislation replaced the Hospital Provider Fee with a new TABOR-exempt enterprise fee and lowered the Referendum C cap by $200 million in FY 2017-18. The cap increases by population growth and inflation from this lower amount in subsequent years.

SB 17-267 superseded and eliminated the need for SB 17-256, which restricted Hospital Provider Fee revenue in FY 2017-18 by $264.1 million. SB 17-256 was initially passed as a budget balancing measure to eliminate the General Fund obligation for a projected TABOR refund in FY 2017-18. By restricting Hospital Provider Fee revenue by $264.1 million, SB 17-256 would have also lowered federal matching money to hospitals by the same amount, resulting in a total reduction of $528.2 million.

SB 17-267 also increased the business personal property tax income tax credit, repealed the 2.9 percent sales tax on retail marijuana, which was subject to TABOR, and increased the special sales tax on marijuana, which is exempt from TABOR, from 8 percent to 15 percent in FY 2017-18. In addition, it authorized lease-purchase agreements on State facilities to raise money for transportation and capital construction projects, and repealed scheduled General Fund transfers to the Highway Users Tax Fund. Further, the legislation made the General Fund obligation for the senior and disabled veteran property tax exemption program the first TABOR refund mechanism in years in which a TABOR refund is required.

As a result of its provisions, SB 17-267 generated additional resources and flexibility for the operating budget in the General Fund. Figure 19 compares the level of General Fund appropriations for FY 2018-19 that can be supported by projected revenue while maintaining the General Fund's required reserve under current law with SB 17-267, as well as without the provisions of SB 17-267.

Figure 19. Comparison of Funds Available for FY 2018-19 General Fund Appropriations Subject to Limit under Current Law and without SB 17-267

Current Law	Without SB 17-267	Difference
$11,074.1 million	$10,735.6 million	$338.5 million

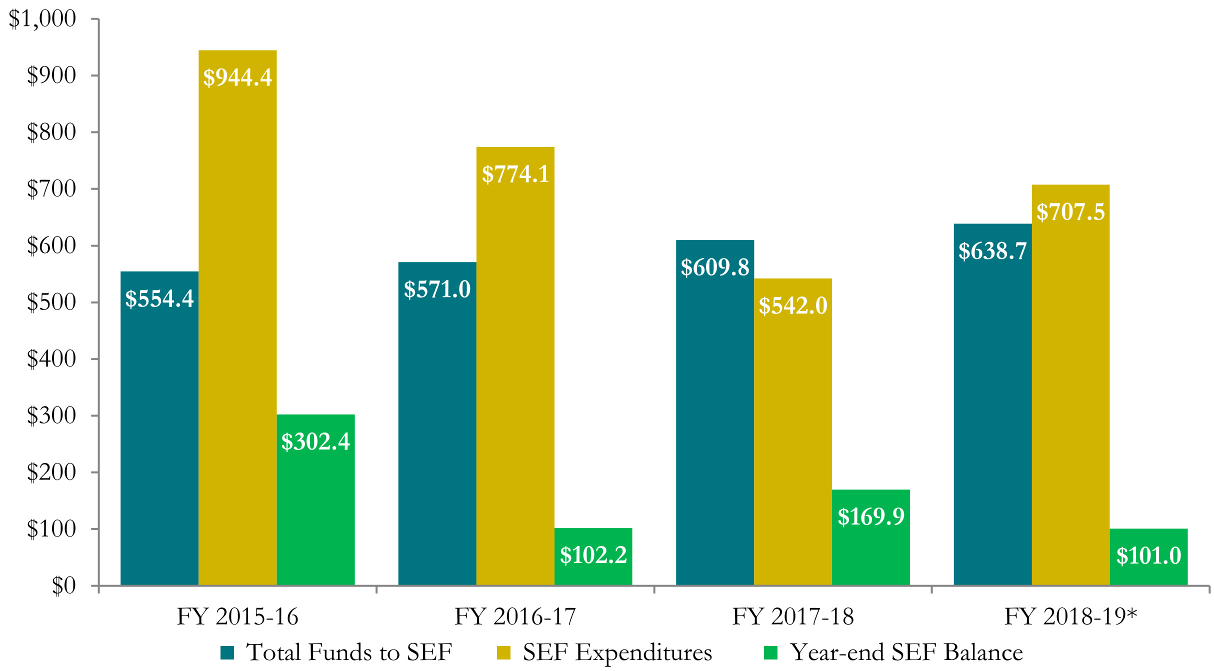
With SB 17-267 and under this forecast, General Fund appropriations subject to the limit can increase $635.9 million, or 6.1 percent, in FY 2018-19 over the FY 2017-18 current law amount. This number may fluctuate depending on emergency supplemental spending decisions that are before the Joint Budget Committee. Without SB 17-267, General Fund appropriations would have been able to increase $297.4 million, or 2.8 percent, over FY 2017-18's amount.

There are a few reasons that a higher level of appropriations can be supported in FY 2018-19 with the enactment of SB 17-267. First, the replacement of the Hospital Provider Fee with a new fee exempt from TABOR, along with the repeal of the 2.9 percent sales tax on retail marijuana, reduces cash fund revenue subject to TABOR under the Referendum C cap. This eliminates TABOR rebates that would have been required to be paid from the General Fund.

In addition, the legislation distributes a portion of the special sales tax on retail marijuana to the General Fund as an offset for the reduction in General Fund revenue from the expansion of the income tax credit for business personal property tax. Furthermore, the legislation repealed the $160 million required General Fund transfer to the Highway Users Tax Fund in FY 2018-19 and FY 2019-20. However, over the next four fiscal years, SB 17-267 provides for up to $1.88 billion in certificate of participation funding for transportation.

State Education Fund – The State Education Fund has been able to support a larger share of education funding in recent years than it has historically because it received large transfers of unspent General revenue earlier in the current expansion. Though transfers to the fund increased, so too did appropriations from the fund and thus balance in the State Education Fund has dropped. In FY 2017-18 however, the year-end fund balance is expected to increase 66.3 percent from its level in FY 2016-17 to approximately $170 million. This increase is the result of a lower level of State Education Fund expenditures and greater General Fund and local property tax funding for K-12 education in FY 2017-18. Figure 20 summarizes total State Education Fund revenue available, total spending, and balance levels from FY 2014-15 through FY 2017-18.

Figure 20. State Education Fund Money, Spending, and Reserves, $ in Millions



Actual expenditures from the State Education Fund for FY 2018-19 will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown are illustrative only.

Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves is provided in the overview tables (Tables 4 and 5) in the Appendix at the end of this document beginning on page 41. A discussion of the information presented in these tables can be found on the Office of State Planning and Budgeting's website at this link: https://goo.gl/d63Ys2.

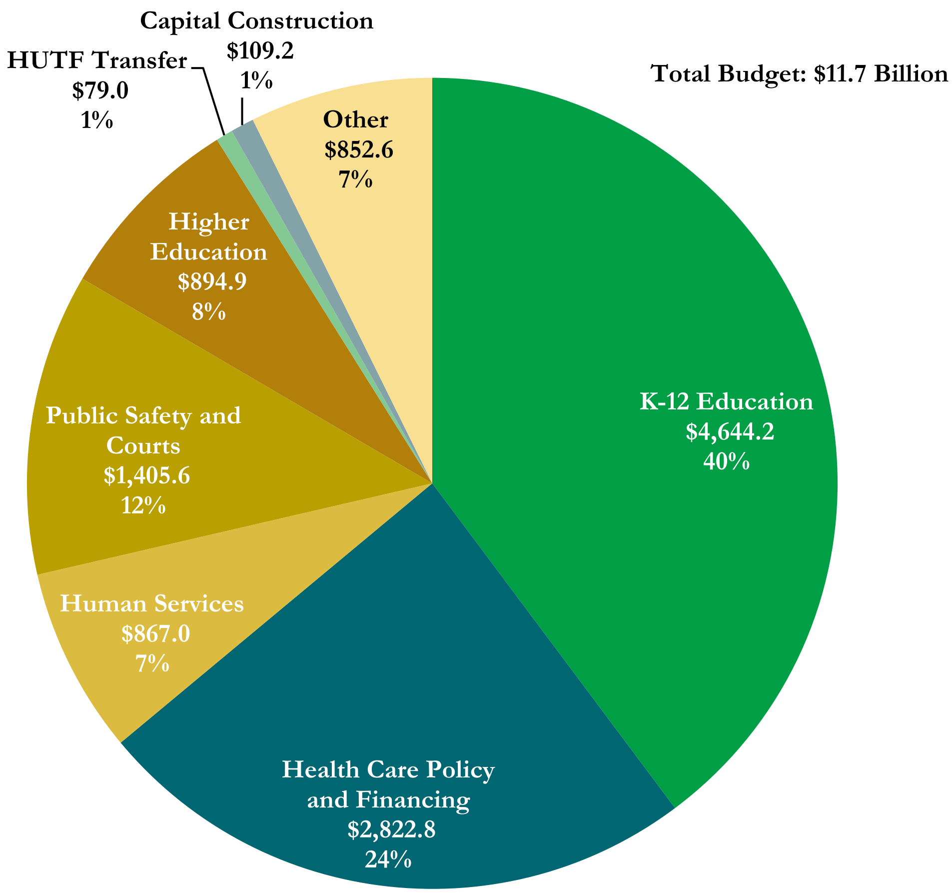
Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade education, higher education, services for low-income populations, including the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives one-third of one percent of taxable income. In some years, it has also received supplemental money from the General Fund as authorized by statute.

In Figure 21, the major areas of the General Fund and their share of the FY 2017-18 budget request are noted. Some 92 percent of General Fund and State Education Fund spending is found in the following areas:

Preschool-12 education, Medicaid and related costs at the Department of Health Care Policy and Financing, human services, public safety, the correctional system, courts, and higher education.

Figure 21. Composition of FY 2017-18 General Fund and State Education Fund Budget under Current Law, $ in Millions



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in more detail in the section titled "The Economy: Issues, Trends, and Forecast," beginning on page 4. Changes in the Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many state services, such as higher education and Medicaid.

As noted previously in this document, Colorado's economic growth has accelerated in 2017, and the expansion is expected to continue through the forecast period. Although recession risk appears low at this time, unforeseen events can develop that could result in an economic downturn, which often causes declines in General Fund revenue. At the same time, demand for State services tends to increase during periods of economic weakness and higher unemployment. With the state constitution requiring a balanced budget, the combination of lower revenue and higher demand for services generates difficult budgeting conditions.

Cash Fund Revenue Forecast

A wide array of state programs collect taxes, fees, fines, and interest to fund services and operations. When fees or other revenue sources are designated for a particular program, they are typically directed to a cash fund which is used to fund that program. OSPB's forecast of cash fund revenue subject to TABOR and the Referendum C cap on revenue to the State is shown in Table 6 in the Appendix.

Cash fund revenue in FY 2016-17 was $191.2 million, or 6.5 percent, lower than FY 2015-16, as a decrease in revenue from the Hospital Provider Fee and miscellaneous cash funds offset modest growth in revenue from other major categories of cash funds.

Cash fund revenue is forecast to decrease 17.4 percent in FY 2017-18 as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee program, which is a TABOR-exempt enterprise in accordance with SB 17-267. The forecast for FY 2017-18 is $33.5 million, or 1.5 percent, lower compared with projections in June. In addition to the change in the Hospital Provider Fee, the exemption of retail marijuana sales from the 2.9 percent state sales tax pursuant to SB 17-267 will also reduce cash fund revenue in relation to FY 2016-17.

***Transportation-related cash funds*—** Transportation-related cash fund revenue grew 3.1 percent in FY 2016-17 and is forecast to grow 1.7 percent in FY 2017-18 and 2.1 percent in FY 2018-19. This forecast is 0.6 percent, or $7.4 million, higher than in June for FY 2017-18.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. HUTF collections are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol. The primary revenue source for the transportation-related cash funds is from motor fuel taxes, followed by registration fees. Specific ownership taxes paid on vehicles are retained by local governments.

Gas tax revenue received per mile driven is falling as vehicles become increasingly fuel-efficient.

More than 75 percent of motor fuel tax revenue comes from state gasoline taxes, which have been 22 cents per gallon in Colorado since 1991. Fuel tax revenue to the HUTF have averaged 2.0 percent growth per year during the current economic expansion. Growth is expected to continue at a modest rate, as increasingly fuel-efficient vehicles consume fewer gallons of gasoline and temper fuel tax collections.

Vehicle registration revenue growth is a function of auto sales and in-migration to the state. Sales have been growing steadily since the end of the Great Recession in 2009. Colorado vehicle sales continue to grow due to stronger economic growth and population gains, though sales are expected to slow over the forecast period.

Because registration fees are based largely on vehicle age and weight, the continuing shift in consumer preference towards SUVs and light trucks is expected to partially offset less registration revenue due to the lower growth in new vehicle sales. This trend is also expected to contribute to increased revenue from vehicle fuel taxes. As a result of these trends, HUTF revenue growth is expected to average 1.9 percent over the next three fiscal years.

Figure 22. Transportation Funds Forecast by Source, $ in Millions

Transportation Funds Revenue	Preliminary FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
Highway Users Tax Fund (HUTF)				
Motor and Special Fuel Taxes	**$629.1**	**$634.0**	**$644.8**	**$657.7**
Change	3.2%	0.8%	1.7%	2.0%
Total Registrations	**$251.5**	**$258.7**	**$264.7**	**$269.9**
Change	4.0%	2.9%	2.3%	2.0%
Other HUTF Receipts	**$183.5**	**$187.0**	**$193.3**	**$197.2**
Change	3.1%	1.9%	3.3%	2.0%
Total HUTF	**$1,064.1**	**$1,079.7**	**$1,102.7**	**$1,124.8**
Change	3.4%	1.5%	2.1%	2.0%
State Highway Fund	**$38.4**	**$47.2**	**$48.9**	**$49.8**
Change	-26.4%	23.0%	3.4%	2.0%
Other Transportation Funds	**$118.8**	**$115.1**	**$116.6**	**$118.9**
Change	16.1%	-3.1%	1.3%	2.0%
Total Transportation Funds	**$1,221.3**	**$1,242.1**	**$1,268.1**	**$1,293.5**
Change	3.1%	1.7%	2.1%	2.0%

Limited gaming revenue — Gaming revenue grew by $1.0 million, or 0.9 percent, to $119.1 million in FY 2016-17. Revenue from gaming in FY 2017-18 will grow an additional $5.1 million, or 4.3 percent, to $124.2 million.

Of the total expected limited gaming revenue of $124.2 million in FY 2017-18, $106.8 million will be subject to TABOR, as reflected in Figure 23. Of this amount, $105.0 million is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50 in 2008. This revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and economic development-related programs.

Gaming revenue attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions grow along with overall gaming revenue and will total $14.3 million and $15.4 million in FY 2017-18 and FY 2018-19, respectively. Figure 23 shows the distribution of limited gaming revenues in further detail.

Figure 23. Distribution of Limited Gaming Revenues, $ in Millions

Distribution of Limited Gaming Revenues	Preliminary FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
A. Total Limited Gaming Revenues	**$119.1**	**$124.2**	**$127.3**	**$130.4**
Annual Percent Change	0.9%	4.3%	2.5%	2.4%
B. Base Limited Gaming Revenues (max 3% growth)	**$102.0**	**$105.0**	**$107.7**	**$110.3**
Annual Percent Change	1.0%	3.0%	2.5%	2.4%
C. Gaming Revenue Subject to TABOR	**$103.7**	**$106.8**	**$109.5**	**$112.1**
Annual Percent Change	1.0%	3.0%	2.5%	2.4%
D. Total Amount to Base Revenue Recipients	**$90.6**	**$94.6**	**$96.6**	**$99.3**
Amount to State Historical Society	$25.4	$26.5	$27.1	$27.8
Amount to Counties	$10.9	$11.3	$11.6	$11.9
Amount to Cities	$9.1	$9.5	$9.7	$9.9
Amount to Distribute to Remaining Programs (State Share)	$45.3	$47.3	$48.3	$49.6
Amount to Local Government Impact Fund	$5.0	$5.0	$5.0	$5.0
Colorado Tourism Promotion Fund	$15.0	$15.0	$15.0	$15.0
Creative Industries Cash Fund	$2.0	$2.0	$2.0	$2.0
Film, Television, and Media Operational Account	$0.5	$0.5	$0.5	$0.5
Advanced Industries Acceleration Fund	$5.5	$5.5	$5.5	$5.5
Innovative Higher Education Research Fund	$2.1	$2.1	$2.1	$2.1
Transfer to the General Fund	$15.2	$17.2	$18.2	$19.5
E. Total Amount to Amendment 50 Revenue Recipients	**$13.4**	**$14.3**	**$15.4**	**$15.8**
Community Colleges, Mesa and Adams State (78%)	$10.5	$11.2	$12.0	$12.3
Counties (12%)	$1.6	$1.7	$1.8	$1.9
Cities (10%)	$1.3	$1.4	$1.5	$1.6

Hospital Provider Fee **—** Hospital Provider Fee revenue in FY 2016-17 was 18.6 percent, or $149.6 million, lower than in FY 2015-16. This decrease was due to a statutory limit on Hospital Provider Fee revenue adopted for the FY 2016-17 budget under HB 16-1405.

Hospital Provider Fee revenue is eliminated in FY 2017-18 and in subsequent years as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee. This fee, collected by the Colorado Healthcare Affordability and Sustainability Enterprise within the Department of Health Care Policy and Financing (HCPF), is exempt from TABOR, as it is designated as an enterprise in accordance with SB 17-267. As with the Hospital Provider Fee, this fee is paid by Colorado hospitals and is used, together with matching federal funds, to help cover the cost of the Medicaid program and enhance payments to health care providers.

Severance tax revenue **—** Severance tax revenue increased slightly to $19.5 million in FY 2016-17, after $18.9 million in revenue was collected in FY 2015-16. There are several factors contributing to the continued low level of collections. The ad valorem tax credit for State severance taxes is a contributing factor, as are persistently low oil and natural gas prices and amended returns filed in response to the Colorado Supreme Court ruling discussed below.

Severance tax collections in FY 2017-18 and FY 2018-19 are expected to rebound due to a smaller impact from the Supreme Court ruling as well as slightly higher oil and gas prices and reduced ad valorem credits. Total severance tax revenue will increase to $150.5 million in FY 2017-18 and $157.7 million in FY 2018-19.

As a result of the April 2016 Colorado Supreme Court's decision in *BP America v. Colorado Department of Revenue (*DOR*)*, taxpayers can claim additional severance tax deductions related to their transportation, manufacturing, and processing costs incurred in their oil and gas extraction activities. In addition to lowering severance tax collections on an ongoing basis, this decision also increased the refunds being made to severance taxpayers for past tax years.

Senate Bill 16-218 was passed in the 2016 legislative session to account for these severance tax refunds. The bill created a reserve fund and diverts income tax revenue to the fund to help pay the refunds. However, the legislation does not distinguish between severance tax refunds related to the court decision and severance tax refunds that would have occurred regardless of the decision. Therefore, income tax revenue was used to cover some severance tax refunds that would have occurred regardless of the decision.

Under Senate Bill 16-218, $56.8 million in income tax revenue was diverted in FY 2015-16 to the aforementioned reserve fund to pay for severance tax refunds. In FY 2016-17, $53.8 million was diverted to the fund. These amounts are included in the "Transfers to Other Funds" line in Table X in the Appendix of this forecast.

The above refund amounts are related to past tax year impacts of the Supreme Court ruling. Taxpayers will also claim more deductions for future tax years, which will reduce severance tax collections on an ongoing basis. This forecast assumes that the additional deductions will reduce annual severance tax collections by roughly $20 to $30 million each year. However, the estimated amount of the reduction to ongoing severance tax revenue in the future may change materially as more information becomes available regarding the revenue impacts of the deductions.

***Federal Mineral Leasing revenue* —** Colorado's share of Federal Mineral Lease (FML) revenue fell 2.0 percent to $91.0 million in FY 2016-17. FML revenue continues to be weakened due to ongoing low energy prices. In addition, the refund of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau is causing reduced collections. As commodity prices gradually increase, FML revenue is expected to rebound modestly, increasing 13.3 percent to $103.1 million in FY 2017-18, and to $112.3 million in FY 2018-19. Note that while FML revenue is exempt from TABOR, it is included here because a portion of the money is used for the State's share of K-12 school finance.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The Bureau of Land Management (BLM) sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred.

Figure 24. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus Payments	Non-Bonus Payments	Total FML	% Change
FY 2016-17	$0.6	$90.4	$91.0	-2.0%
FY 2017-18	$2.1	$101.0	$103.1	13.3%
FY 2018-19	$2.0	$110.2	$112.3	8.9%
FY 2019-20	$2.1	$115.7	$117.9	5.0%

FY 2016-17 figures are actual collections, and FY 2017-18 through FY 2019-20 are projections.

Other cash funds — Cash fund revenue to the Department of Regulatory Agencies (DORA) will increase 3.5 percent to $78.2 million in FY 2017-18. This revenue source will grow another 3.0 percent to $80.5 million in FY 2018-19. DORA regulates businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. Revenue from licensing fees and other services fund many of the Department's activities.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Revenue from this source will increase 53.0 percent to $15.8 million in FY 2017-18 and will total $15.4 million in FY 2018-19. Each year, the DOWC performs a comprehensive review to determine the funding needed to operate its programs. Surcharges are increasing in the last half of FY 2017-18. This is contributing to the forecasted increase in insurance-related revenue.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from over 300 cash funds that generally collect revenue from fines, fees, and interest earnings. However, approximately 75 percent of the revenue comes from the largest 30 of these funds. These larger funds include the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and the Marijuana Tax Cash Fund.

Total revenue to miscellaneous cash funds is expected to total $663.3 million in FY 2017-18, an increase of 2.6 percent. The FY 2017-18 projection is $34.9 million lower than the June forecast. Revenue to these funds is expected to increase 2.4 percent to $679.2 million in FY 2018-19.

Marijuana-related revenue — Revenue from the special taxes on the legal marijuana industry in the state authorized by Proposition AA in November 2013, along with revenue from the 2.9 percent sales tax collected on marijuana sales, are shown in Figure 25.

Figure 25. Tax Revenue from the Marijuana Industry, $ in Millions

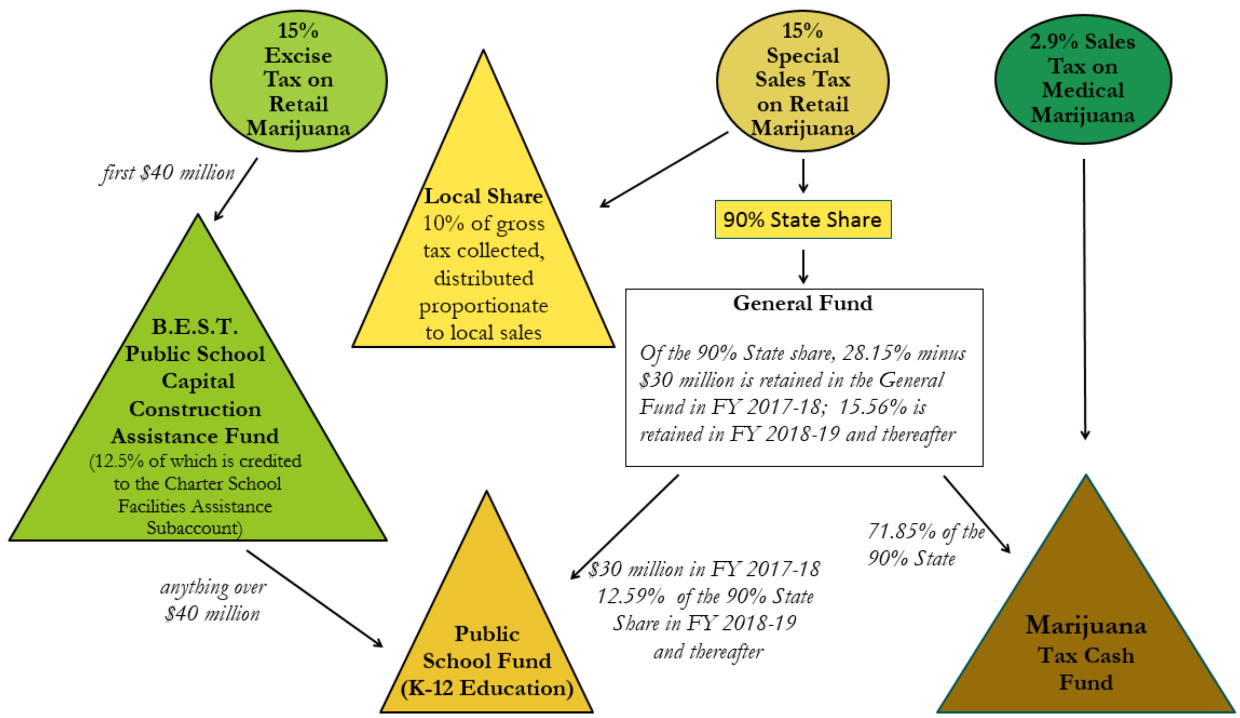
Tax Revenue from the Marijuana Industry	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
Proposition AA Taxes				
Retail Marijuana 10%/15% Special Sales Tax	$98.3	$177.8	$203.4	$227.1
Retail Marijuana 15% Excise Tax	$71.5	$88.2	$98.6	$110.4
Total Proposition AA Taxes	**$169.9**	**$266.0**	**$302.0**	**$337.5**
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.90% State Sales Tax	$12.4	$12.5	$12.6	$12.6
Retail Marijuana 2.90% State Sales Tax	$28.1	$0.0	$0.0	$0.0
Total 2.9% Sales Taxes	**$40.6**	**$12.5**	**$12.6**	**$12.6**
Total Marijuana Taxes	**$210.4**	**$278.5**	**$314.6**	**$350.1**

SB 17-267 made changes to marijuana taxation and revenue beginning in FY 2017-18. The bill exempted retail marijuana from the 2.9 percent state sales tax, while increasing the special sales tax on retail marijuana from the scheduled 8 percent rate in FY 2017-18 to 15 percent.

Revenue from the 2.9 percent sales tax on marijuana, as well as fees related to regulation of the marijuana industry, is included in the miscellaneous cash funds category in Table 6. The table does not include the proceeds from marijuana taxes authorized by Proposition AA as they are not subject to TABOR.

Revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — before most of the revenue is transferred to the Marijuana Tax Cash Fund, public school finance, and local governments. The remaining amount after the transfers stays in the General Fund. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds, a majority of which goes to a cash fund for public school capital construction projects. Figure 26 shows the distribution of marijuana tax revenue.

Figure 26. Distribution of Tax Revenue from the Marijuana Industry Starting in FY 2017-18



Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of a portion of State revenue to the sum of inflation and population growth. Revenue collected above the TABOR limit must be returned to taxpayers unless voters decide the State can retain the revenue.

In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year. The passage of SB 17-267 during the 2017 legislative session 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. More information on SB 17-267 can be found below.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempt by Colorado voters; federal money; and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

SB 17-267 reduced the amount of revenue subject to TABOR and no TABOR refunds are projected during the forecast period – TABOR revenue came in $435.9 million below the cap in FY 2016-17 and is projected to be $507.8 million under the cap in FY 2017-18. TABOR revenue is expected to be below the cap by $579.6 million in FY 2018-19 and $595.3 million in FY 2019-20.

SB 17-267 had several provisions that affect the amount of TABOR revenue under the Referendum C cap. As mentioned above, SB 17-267 reduced the Referendum C cap by $200 million in FY 2017-18. The cap will grow by inflation and population growth from this lower base going forward.

TABOR revenue is expected to be below the Referendum C cap by $507.8 million in FY 2017-18 and $579.6 million in FY 2018-19.

Beginning in FY 2017-18, the Hospital Provider Fee has been replaced with the Healthcare Affordability and Sustainability Fee. This fee is exempt from TABOR as it is collected by a new enterprise created by SB 17-267 within the Department of Health Care Policy and Financing. This change reduces TABOR revenue by $868.5 million in FY 2017-18 and $919.9 million in FY 2018-19. This reduction is partially offset by $15.7 million in annual fee revenue that will be used by the Department of Health Care Policy and Financing for other programs that are not part of the new enterprise and will thus be subject to TABOR.

In addition, SB 17-267 exempted retail marijuana from the 2.9 percent state sales tax, which will result in $34.4 million less revenue subject to TABOR in FY 2017-18 and $39.3 million less in FY 2018-19. Moreover, SB 17-267 extended and expanded the income tax credit for business personal property taxes paid, which is projected to reduce income tax collections by about $10 million in FY 2018-19 and $20 million in FY 2019-20. However, SB 17-267 also distributes a portion of the special sales tax on retail marijuana sales to the General Fund on an ongoing basis which offsets the revenue reduction from the business personal property tax credit.

Under current law, the conservation easement income tax credit becomes refundable during tax years following fiscal years in which a TABOR refund occurs. Because SB 17-267 results in no projected TABOR refunds during the forecast window, the credit is now projected to be nonrefundable in tax years 2018 and 2019, increasing TABOR revenue by $2.5 million in FY 2017-18 and $4.9 million in FY 2018-19.

Finally, SB 17-267 changed TABOR refund mechanisms. The legislation required that reimbursements paid to local governments in support of the senior homestead and disabled veterans property tax exemptions constitute a TABOR refund in years in which a refund is owed. The reimbursements become the first refund mechanism triggered when a TABOR refund is required. The six-tier sales tax refund becomes the second refund mechanism.

Governor's Revenue Estimating Advisory Committee

The Governor's Office of State Planning and Budgeting would like to thank the following individuals that provided valuable feedback on key national and Colorado-specific economic indices included in this forecast. All of these individuals possess expertise in a number of economic and financial disciplines and were generous with their time and knowledge.

- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall –Director, Division of Labor Standards and Statistics, Colorado Department of Labor and Employment
- David Kelly – Chief Risk Officer, FirstBank
- Ronald New – Capital Markets Executive
- Jessica Ostermick – Director, Capital Markets, Industrial and Logistics, CBRE
- Paul Rochette – Senior Partner, Summit Economics
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

COLORADO
It's our nature.

Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2011-2019

Line No.		Actual						September 2017 Forecast		
		2011	2012	2013	2014	2015	2016	2017	2018	2019
	Income									
1	Personal Income (Billions) /A	$219.9	$234.0	$246.6	$266.5	$277.7	$288.4	$304.0	$319.8	$335.5
2	Change	9.1%	6.4%	5.4%	8.1%	4.2%	3.9%	5.4%	5.2%	4.9%
3	Wage and Salary Income (Billions) /A	$118.6	$125.0	$129.6	$138.7	$146.6	$153.3	$161.9	$170.7	$179.4
4	Change	4.2%	5.4%	3.7%	7.0%	5.7%	4.6%	5.6%	5.4%	5.1%
5	Per-Capita Income ($/person) /A	$42,955	$45,089	$46,824	$49,823	$50,971	$52,059	$53,978	$55,885	$57,722
6	Change	7.6%	5.0%	3.8%	6.4%	2.3%	2.1%	3.7%	3.5%	3.3%
	Population & Employment									
7	Population (Thousands)	5,118.4	5,189.9	5,267.6	5,349.6	5,448.8	5,540.5	5,632.1	5,722.7	5,812.2
8	Change	1.4%	1.4%	1.5%	1.6%	1.9%	1.7%	1.7%	1.6%	1.6%
9	Net Migration (Thousands)	35.3	39.6	46.2	50.0	67.8	60.1	61.5	61.0	60.0
10	Unemployment Rate	8.4%	7.9%	6.8%	5.0%	3.9%	3.3%	2.4%	2.8%	3.0%
11	Total Nonagricultural Employment (Thousands)	2,258.6	2,313.0	2,381.9	2,464.9	2,541.9	2,598.3	2,655.5	2,708.6	2,757.3
12	Change	1.6%	2.4%	3.0%	3.5%	3.1%	2.2%	2.2%	2.0%	1.8%
	Construction Variables									
13	Total Housing Permits Issued (Thousands)	13.5	23.3	27.5	28.7	31.9	39.0	42.3	41.1	43.2
14	Change	16.5%	72.6%	18.1%	4.3%	11.1%	22.3%	8.6%	-2.8%	5.1%
15	Nonresidential Construction Value (Millions) /B	$3,923.2	$3,695.3	$3,624.0	$4,346.7	$4,887.0	$5,772.0	$5,403.8	$5,219.5	$5,406.2
16	Change	24.7%	-5.8%	-1.9%	19.9%	12.4%	18.1%	-6.4%	-3.4%	3.6%
	Prices & Sales Variables									
17	Retail Trade (Billions) /C	$75.9	$80.2	$84.1	$90.5	$95.0	$99.1	$103.9	$108.7	$113.6
18	Change	7.7%	5.7%	4.8%	7.6%	4.9%	4.3%	4.8%	4.7%	4.5%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100)	220.3	224.6	230.8	237.2	240.0	246.6	254.0	260.6	266.9
20	Change	3.7%	1.9%	2.8%	2.8%	1.2%	2.8%	3.0%	2.6%	2.4%

/A Personal Income as reported by the federal 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 Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods/books/music, and general merchandise found at warehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants). E-commerce retail trade and other sales by a retailer that does not have a state sales tax account are not included in these figures. 2016 data is not final and represents OSPB's estimates.

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2011 – 2019

Line No.		Actual						September 2017 Forecast		
		2011	2012	2013	2014	2015	2016	2017	2018	2019
	Inflation-Adjusted & Current Dollar Income Accounts									
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$15,020.6	$15,354.6	$15,612.2	$16,013.3	$16,471.5	$16,716.2	$17,067.8	$17,443.3	$17,792.2
2	Change	1.6%	2.2%	1.7%	2.6%	2.9%	1.5%	2.1%	2.2%	2.0%
3	Personal Income (Billions) /B	$13,254.5	$13,915.1	$14,073.7	$14,818.2	$15,553.0	$15,928.7	$16,489.2	$17,132.3	$17,766.2
4	Change	6.2%	5.0%	1.1%	5.3%	5.0%	2.4%	3.5%	3.9%	3.7%
5	Per-Capita Income ($/person)	$42,528	$44,316	$44,508	$46,516	$48,467	$49,295	$50,667	$52,275	$53,849
6	Change	5.4%	4.2%	0.4%	4.5%	4.2%	1.7%	2.8%	3.2%	3.0%
7	Wage and Salary Income (Billions) /B	$6,633	$6,930	$7,116.7	$7,476.8	$7,858.9	$8,085.2	$8,385.7	$8,755.9	$9,134.9
8	Change	4.0%	4.5%	2.7%	5.1%	5.1%	2.9%	3.7%	4.4%	4.3%
	Population & Employment									
9	Population (Millions)	311.7	314.0	316.2	318.6	320.9	323.1	325.4	327.7	329.9
10	Change	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
11	Unemployment Rate	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	4.3%	4.5%
12	Total Nonagricultural Employment (Millions)	131.9	134.2	136.4	139.0	141.8	144.3	146.4	147.9	149.1
13	Change	1.2%	1.7%	1.6%	1.9%	2.1%	1.7%	1.5%	1.0%	0.8%
	Price Variables									
14	Consumer Price Index (1982-84=100)	224.9	229.6	233.0	236.7	237.0	240.0	244.6	249.2	254.4
15	Change	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	1.9%	1.9%	2.1%
16	Producer Price Index - All Commodities (1982=100)	201.0	202.2	203.4	205.3	190.4	185.4	192.9	197.0	202.3
17	Change	8.8%	0.6%	0.6%	0.9%	-7.3%	-2.6%	4.1%	2.1%	2.7%
	Other Key Indicators									
18	Corporate Profits (Billions)	$1,816.6	$1,998.2	$2,032.9	$2,140.6	$2,117.5	$2,073.5	$2,154.4	$2,262.1	$2,366.1
19	Change	4.0%	10.0%	1.7%	5.3%	-1.1%	-0.4%	3.9%	5.0%	4.6%
20	Housing Permits (Millions)	0.624	0.830	0.991	1.052	1.183	1.207	1.252	1.337	1.438
21	Change	3.2%	32.9%	19.4%	6.2%	12.4%	2.0%	3.7%	6.9%	7.5%
22	Retail Trade (Billions)	$4,598.3	$4,826.4	$5,001.8	$5,215.7	$5,350.5	$5,511.2	$5,718.2	$5,939.2	$6,135.2
23	Change	7.3%	5.0%	3.6%	4.3%	2.6%	3.0%	3.8%	3.9%	3.3%

/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
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2016-17	% Chg	September 2017 Estimate by Fiscal Year FY 2017-18	% Chg	FY 2018-19	% Chg	FY 2019-20	% Chg
	Excise Taxes:								
1	Sales	$2,825.7	6.5%	$3,127.3	10.7%	$3,278.3	4.8%	$3,431.3	4.7%
2	Use	$259.5	7.6%	$289.8	11.7%	$304.4	5.0%	$315.2	3.6%
3	Cigarette	$36.6	-1.7%	$36.0	-1.5%	$35.0	-2.8%	$34.3	-2.1%
4	Tobacco Products	$21.2	0.6%	$21.8	2.7%	$22.5	3.1%	$22.7	1.3%
5	Liquor	$45.0	3.3%	$46.0	2.3%	$46.3	0.6%	$47.3	2.2%
6	**Total Excise**	**$3,188.0**	**6.4%**	**$3,520.9**	**10.4%**	**$3,686.4**	**4.7%**	**$3,850.9**	**4.5%**
	Income Taxes:								
7	Net Individual Income	$6,760.9	3.6%	$7,285.6	7.8%	$7,632.2	4.8%	$7,977.5	4.5%
8	Net Corporate Income	$509.3	-21.9%	$530.5	4.2%	$575.3	8.4%	$611.2	6.2%
9	**Total Income**	**$7,270.2**	**1.3%**	**$7,816.1**	**7.5%**	**$8,207.4**	**5.0%**	**$8,588.7**	**4.6%**
10	*Less: State Education Fund Diversion*	*$540.0*	*3.3%*	*$578.4*	*7.1%*	*$607.4*	*5.0%*	*$634.4*	*4.5%*
11	**Total Income to General Fund**	**$6,730.2**	**1.1%**	**$7,237.7**	**7.5%**	**$7,600.1**	**5.0%**	**$7,954.3**	**4.7%**
	Other Revenue:								
12	Insurance	$290.5	3.6%	$302.3	4.1%	$313.2	3.6%	$323.7	3.4%
13	Interest Income	$14.7	18.6%	$16.0	8.2%	$19.0	19.2%	$22.2	16.8%
14	Pari-Mutuel	$0.6	-6.6%	$0.6	-2.0%	$0.6	-2.0%	$0.5	-2.0%
15	Court Receipts	$4.1	17.5%	$4.0	-2.8%	$3.9	-2.5%	$3.9	0.0%
16	Other Income	$47.3	109.7%	$30.1	-36.5%	$31.1	3.6%	$32.7	5.1%
17	**Total Other**	**$357.2**	**11.8%**	**$352.8**	**-1.2%**	**$367.8**	**4.2%**	**$383.1**	**4.2%**
18	**GROSS GENERAL FUND**	**$10,275.5**	**3.0%**	**$11,111.5**	**8.1%**	**$11,654.3**	**4.9%**	**$12,188.2**	**4.6%**

Table 4. General Fund Overview under Current Law /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2016-17	September 2017 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	**Beginning Reserve**	**$512.7**	**$613.0**	**$681.2**	**$716.4**
2	**Gross General Fund Revenue**	**$10,275.5**	**$11,111.5**	**$11,654.3**	**$12,188.2**
3	*Transfers to the General Fund*	$44.8	$90.0	$19.1	$20.4
4	**TOTAL GENERAL FUND AVAILABLE**	**$10,833.0**	**$11,814.5**	**$12,354.6**	**$12,925.0**
Expenditures					
5	**Appropriation Subject to Limit**	**$9,784.5**	**$10,438.1**	**$11,074.1**	**$11,602.5**
6	*Dollar Change (from prior year)*	$448.9	$653.6	$635.9	$528.4
7	*Percent Change (from prior year)*	4.8%	6.7%	6.1%	4.8%
8	**Spending Outside Limit**	**$645.1**	**$695.1**	**$564.1**	**$571.7**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	$0.0	$0.0	$0.0	$0.0
10	*Rebates and Expenditures*	$285.0	$295.7	$315.0	$331.9
11	*Transfers for Capital Construction*	$84.5	$109.2	$60.0	$60.0
12	*Transfers to Highway Users Tax Fund*	$79.0	$79.0	$0.0	$0.0
13	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.3	$25.0	$0.0
14	*Transfers to Other Funds*	$171.3	$185.9	$164.1	$179.8
15	*Other Expenditures Exempt from General Fund Appropriations Limit*	$0.0	$0.0	$0.0	$0.0
16	**TOTAL GENERAL FUND OBLIGATIONS**	**$10,429.6**	**$11,133.3**	**$11,638.2**	**$12,174.2**
17	*Percent Change (from prior year)*	1.9%	6.7%	4.5%	4.6%
18	Reversions and Accounting Adjustments	-$209.6	$0.0	$0.0	$0.0
Reserves					
19	**Year-End General Fund Balance**	**$613.0**	**$681.2**	**$716.4**	**$750.8**
20	*Year-End General Fund as a % of Appropriations*	6.3%	6.5%	6.5%	6.5%
21	*General Fund Statutory Reserve*	$584.3	$675.4	$716.4	$750.8
22	*Above/Below Statutory Reserve*	$28.7	$5.9	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 28 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview under Current Law /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2016-17	September 2017 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	**Beginning Reserves**	**$815.1**	**$715.2**	**$851.1**	**$817.5**
2	*State Education Fund*	$302.4	$102.2	$169.9	$101.0
3	*General Fund*	$512.7	$613.0	$681.2	$716.4
4	**Gross State Education Fund Revenue**	**$569.1**	**$609.8**	**$638.7**	**$640.8**
5	**Gross General Fund Revenue /B**	**$10,320.3**	**$11,201.5**	**$11,673.4**	**$12,208.6**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,704.5**	**$12,526.4**	**$13,163.2**	**$13,666.9**
Expenditures					
7	General Fund Expenditures /C	$10,429.6	$11,133.3	$11,638.2	$12,174.2
8	State Education Fund Expenditures	$774.1	$542.0	$707.5	$640.6
9	**TOTAL OBLIGATIONS**	**$11,203.7**	**$11,675.3**	**$12,345.7**	**$12,814.8**
10	*Percent Change (from prior year)*	0.3%	4.2%	5.7%	3.8%
11	*Reversions and Accounting Adjustments*	-$214.4	$0.0	$0.0	$0.0
Reserves					
12	**Year-End Balance**	**$715.2**	**$851.1**	**$817.5**	**$852.1**
13	State Education Fund	$102.2	$169.9	$101.0	$101.3
14	General Fund	$613.0	$681.2	$716.4	$750.8
15	*General Fund Above/Below Statutory Reserve*	$28.7	$5.9	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 28 for information on the figures in this table.
/B This amount includes transfers to the General Fund shown in line 3 in Table 4.
/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary FY 2016-17	September 2017 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
Transportation-Related /A	**$1,221.3**	**$1,242.1**	**$1,268.1**	**$1,293.5**
Change	3.1%	1.7%	2.1%	2.0%
Limited Gaming Fund /B	**$103.7**	**$106.8**	**$109.5**	**$112.1**
Change	0.9%	3.0%	2.5%	2.4%
Capital Construction - Interest	**$4.7**	**$4.2**	**$5.3**	**$6.0**
Change	-10.5%	-10.0%	24.6%	13.2%
Regulatory Agencies	**$75.5**	**$78.2**	**$80.5**	**$82.7**
Change	9.8%	3.5%	3.0%	2.7%
Insurance-Related	**$10.3**	**$15.8**	**$15.4**	**$14.3**
Change	-9.6%	53.0%	-2.2%	-7.6%
Severance Tax /C	**$19.5**	**$150.5**	**$157.7**	**$166.6**
Change	3.0%	672.6%	4.8%	5.6%
Hospital Provider Fee /D	**$654.4**	N/A	N/A	N/A
Change	-18.6%	N/A	N/A	N/A
Other Miscellaneous Cash Funds	**$646.5**	**$663.3**	**$679.2**	**$717.3**
Change	-11.6%	2.6%	2.4%	5.6%
TOTAL CASH FUND REVENUE	***$2,735.8***	***$2,260.8***	***$2,315.8***	***$2,392.4***
Change	-6.5%	-17.4%	2.4%	3.3%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/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.

/C Severance tax revenue for FY 2016-17 differs from the amount reported by the State Controller's office, as the figures in Table 6 do not include the diversion of income tax revenue to pay for severance tax refunds under Senate Bill 16-218.

/D Hospital Provider Fee revenue is reduced to zero in FY 2017-18 and subsequent years as the Hospital Provider Fee is replaced with the Healthcare Affordability and Sustainability Fee pursuant to SB 17-267.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2016-17	September 2017 Estimate by Fiscal Year FY 2017-18	FY 2018-19	FY 2019-20
	TABOR Revenues:				
1	General Fund /A	$10,156.1	$10,933.7	$11,451.0	$11,961.1
	Percent Change from Prior Year	2.6%	7.7%	4.7%	4.5%
2	Cash Funds /A	$2,735.8	$2,260.8	$2,315.8	$2,392.4
	Percent Change from Prior Year	-6.5%	-17.4%	2.4%	3.3%
3	**Total TABOR Revenues**	**$12,891.9**	**$13,194.5**	**$13,766.7**	**$14,353.5**
	Percent Change from Prior Year	0.5%	2.3%	4.3%	4.3%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.9%	1.7%	1.7%	1.6%
5	Previous calendar year inflation	1.2%	2.8%	3.0%	2.6%
6	**Allowable TABOR Growth Rate**	3.1%	4.5%	4.7%	4.2%
7	TABOR Limit /B	$10,761.7	$11,220.7	$11,748.1	$12,241.5
8	General Fund Exempt Revenue Under Ref. C /C	$2,130.3	$1,973.8	$2,018.7	$2,112.0
9	**Revenue Cap Under Ref. C /B, /D**	**$13,327.8**	**$13,702.3**	**$14,346.3**	**$14,948.9**
10	***Amount Above/Below Cap***	**-$435.9**	**-$507.8**	**-$579.6**	**-$595.3**
11	***Revenue to be Refunded including Adjustments from Prior Years /E***	**$0.0**	**$0.0**	**$0.0**	**$0.0**
12	TABOR Reserve Requirement	$386.8	$395.8	$413.0	$430.6

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/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 voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" 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 G
Public School Capital Construction Assistance Fund

Introduction

Pursuant to House Bill 08-1335 and Senate Bill 09-257 (codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended) (the "**Act**"), the Colorado General Assembly has created the Public School Capital Construction Assistance Board (the "**Assistance Board**") and the Public School Capital Construction Assistance Fund (the "**Assistance Fund**"). In accordance with the Act, the Assistance Fund is funded from revenues received by the State of Colorado (the "**State**") from (i) a portion of rental income and royalties derived from State public school lands, (ii) a portion of State lottery proceeds, (iii) amounts paid by certain K-12 public schools ("**Participating K-12 Institutions**") for which capital projects are financed through the State's Building Excellent Schools Today Program (the "**Program**"), (iv) excise tax revenue from marijuana sales, and (v) State appropriations described in the following paragraph.

Under the Act, the State Treasurer may enter into lease-purchase agreements (the "**Leases**") for which the State may decide annually to appropriate rent from the Assistance Fund. The General Assembly is also authorized to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases. See **Appendix E** – "THE STATE GENERAL FUND."

The decision of the State to appropriate funds to pay its obligations under the Leases or make up any shortfall in the Assistance Fund may be impacted by the amount and stability of revenues allocated to the Assistance Fund under the Act. Amounts deposited in the Assistance Fund are also available for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. As of June 30, 2017, $385,596,503 million was on deposit in the Assistance Fund. In 2013, the Act was amended to require that the Assistance Board shall ensure that effective June 30, 2013 and each June 30 thereafter, the balance of the Assistance Fund is at least equal to the total amount of payments to be made by the State during the next Fiscal Year under the terms of any lease purchase agreement entered into pursuant to the Act less the amount of any Matching Moneys (as described below under "**Matching Moneys**") and federal moneys (such as the Federal Direct Payments) to be received for the purpose of making the payments. The revenue sources for the Assistance Fund are further described below.

Rental Income and Royalties

The Territory of Colorado was established in 1861 pursuant to an enabling act (the "**Enabling Act**"). In the Enabling Act, the federal government declared that certain land previously owned by the federal government was to be granted in trust to the State for the support of the State's public schools (the "**Public School Lands**"). On the date it was admitted to the United States, the State held roughly 3.7 million acres of Public School Lands. As of July 2017, the Colorado State Land Board of Commissioners (the "**State Land Board**") reported that the State held approximately 2.8 million surface acres and approximately 4.0 million mineral acres in trust as Public School Lands.

The Act provides that the following moneys are to be deposited in the Assistance Fund: the greater of (i) 50% of the gross amount of "Public School Lands Income" received during a fiscal year or (ii) an amount of such income equal to the difference between the total amount of lease payments to be made by the State under the terms of the Leases and the total amount of Matching Moneys to be paid to the State by the Participating K-12 Institutions. Public School Lands Income is defined under the Act to include: (i) the sale of timber on Public School Lands, and rentals or lease payments for the use and occupation of Public School Lands, and rentals or lease payments for sand, gravel, clay, stone, coal, oil, gas, geothermal resources, gold, silver, or other minerals on Public School Lands (the "**Rental Income**"); and (ii) royalties and other payments for the extraction of any natural resource on Public School Lands (the "**Royalties**"). Proceeds from the sale of Public School Lands are not part of Public School Lands Income, but such proceeds may be used by the State to purchase additional income-producing Public School Lands.

The following table shows the Rental Income and Royalties generated in each of the last five full Fiscal Years.

Rental Income and Royalties[1]

	Fiscal Year 2012-2013	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017
Rental Income [2][3]	$20,679,602	$ 20,581,503	$ 25,869,879	$ 30,333,850	$ 25,561,599
Royalties[2]	102,647,934	151,253,876	163,634,733	105,830,542	92,795,261
Total[4]	$123,327,536	$171,835,379	$189,504,612	$136,164,392	$118,356,860

(1) Unaudited.

(2) Includes interest earned on these revenues before they are distributed.

(3) Also includes timber sales.

(4) See the table under "Assistance Fund Details" in this Appendix which reflects the roughly 50% of Public School Lands Income deposited in the Assistance Fund in Fiscal Years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. The variance for the entries in such table for "Rent and Royalties from State Land Board" and 50% of the total amounts shown above for such fiscal years is attributable to the fact that the State Land Board records the numbers above on an accrual basis and the Colorado Department of Education records the entries in the Assistance Fund on a cash basis.

Source: State Land Board.

Revenues from Rental Income and Royalties are primarily derived from non-renewable resources. In addition to the prices of such resources, the sustainability and consistency of such revenues annually is dependent upon the management of such resources by the State Land Board, including adequate diversification of properties and the timely reinvestment of Public School Lands Income in additional income-producing property.

The increase in annual revenue growth between fiscal years 2012-13 to 2014-15 was almost entirely due to the shale oil (Niobrara) boom. The State Land Board experience historically high oil and gas lease auction bonuses, over 20% increase in oil and gas production on state trust land, and high Colorado oil and gas prices ($100 barrel oil and $4 mcf natural gas).

Negative pressures continue to impact the revenue generated from Public School Lands. The price of oil in Colorado is currently near $35 and natural gas is around $5 mcf. Oil and gas production is declining due to reduced new well starts (production from horizontal wells declined by around 85% in the first year). Producers are not as optimistic about developing new capacity as they were a few years ago, causing bonus payments to also decline. Consequently, over the next couple years, the State Land Board expects that oil and gas lease bonus revenue will decrease from $20 million to $4.5 million, oil royalty revenues will decline from $44 million to $30 million and gas royalty revenues will decline from $20 million to $18 million.

The State Land Board's School Trust revenues are projected to decrease to $97 million in fiscal year 2017-18 and further in 2018-19 despite increases in non-oil and gas School Trust revenues (surface commercial and other).

Various Colorado laws, including the Act, apply to the priority and allocation of rental income and royalties derived from State school lands, allocation of State lottery proceeds, availability of funds for appropriation by the State, and other operations of the State. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State and such funds.

State Lottery Proceeds

Article XXVII of the State Constitution (the "**Lottery Amendment**") created the Great Outdoors Colorado Program which allocates the "Net Proceeds" of State-supervised lottery games to various purposes. Net Proceeds are defined as all proceeds from all programs including Lotto and every other State-supervised lottery game operated under the authority of the Lottery Amendment less the cost of prizes and expenses of the State Lottery Division and other operational expenses of the State lottery. Section 3(1)(b)(III) of the Lottery Amendment requires that in every quarter of the State's fiscal year, 50% of the Net Proceeds exceeding $53.1 million for Fiscal Year 2007-2008 (or such amount as adjusted each year for changes from the 1992 Consumer Price Index-Denver) is to be allocated to the State's General Fund. Effective May 22, 2008, the Act provides that all moneys that would otherwise be transferred to the State's General Fund pursuant to Section 3(1)(b)(III) of the Lottery Amendment (the "**BEST Lottery Share**") are to be deposited in the Assistance Fund.

The BEST Lottery Share deposits to the Assistance Fund in each of the last five full Fiscal Years are provided in the table below. The cost of randomly-awarded prizes and the operational expenses of the lottery vary significantly from year to year, so the amount of Net Proceeds available for BEST Lottery Share deposits has been and may remain volatile. There is no certainty that the BEST Lottery Share will exceed or meet current levels. See "Assistance Fund Details" herein.

BEST Lottery Share[(1)(2)]

	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
BEST Lottery Share	$8,644,124	$4,735,342	$1,997,456	$8,070,499	$2,273,562

(1) Unaudited.

(2) Amounts reflected above were generated in the prior Fiscal Years, received in the Fiscal Year as shown and deposited in the Assistance Fund. See the table under "Assistance Fund Details" in this Appendix.

Source: Colorado Department of Education.

Marijuana Excise Tax Revenues

On November 6, 2012, Colorado voters approved an initiated State constitutional measure known as Amendment 64 which provides for the legalization of marijuana use for persons twenty-one years of age or older and the taxation and regulation of marijuana in a manner similar to alcohol. Amendment 64 directs the Colorado General Assembly to enact an excise tax upon certain marijuana transactions prior to January 1, 2017 at a rate to be determined by the General Assembly, but not to exceed 15%. Amendment 64 requires the first $40 million in revenues received annually from such excise tax to be credited to the Assistance Fund. Proposition AA, a legislatively referred State statute approved by the Colorado electorate on November 5, 2013 imposes an excise tax of 15% on the first sale or transfer of retail marijuana by a medical marijuana cultivation facility. The excise tax became effective on January 1, 2014 and can be subsequently established at a rate lower than 15% by the State General Assembly and the Governor.

Marijuana Excise Tax Revenues[1]

	Fiscal Year 2013-14	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**
Marijuana Excise Tax	$3,012,860	$23,949,565	$40,000,000	$40,000,000

(1) Unaudited.

Source: Colorado Department of Education.

Additional Marijuana Revenues – Fiscal Year 2015-16

An additional one-time transfer of $40 million was made to the Assistance Fund in Fiscal Year 2015-16 related to Proposition BB. The passage of Proposition BB by the voters in November 2015 allowed the State to retain tax revenues on retail marijuana sales that would otherwise be subject to refund under the Taxpayer Bill of Rights (TABOR). Proposition BB specifically authorized $40 million of the retained tax revenues to be allocated to the Assistance Fund.

Matching Moneys

The Act defines "**Matching Moneys**" as moneys required to be paid to the State or used directly to pay a portion of the costs of a public school capital construction project by a Participating K-12 Institution as a condition of an award of financial assistance to the Participating K-12 Institution under the Program. The Assistance Board determines which percentage, if any, of the total financing for the Participating K-12 Institution's project will constitute the required Matching Moneys for such Participating K-12 Institution. Such percentage varies depending on the Participating K-12 Institution. The obligations of Participating K-12 Institutions to pay Matching Moneys to the State may be evidenced by (a) cash delivered at the time the Certificates were delivered, (b) an obligation to pay Base Rent under the applicable Sublease subject to annual appropriation by the applicable Participating K-12 Institution, (c) bonds issued by the Participating K-12 Institutions and delivered to the State (the "**Matching Moneys Bonds**"), (d) an obligation to pay cash installments under the applicable Sublease or Participation Agreement, subject to annual appropriation by the applicable Participating K-12 Institution (the "**Matching Moneys Installment Payments**") or (e) other types of obligations permitted by the Act and approved by the Assistance Board. At or prior to the execution and delivery of the Series 2017J-K Certificates, $1 Matching Moneys related to the Series 2017J-K Certificates will be credited to the Assistance Fund in the form of cash. Additional Matching Moneys obligations relating to the Series 2017J-K Certificates are payable to the Assistance Fund in the future as Matching Moneys Bonds in the aggregate principal amount of $59,032,460, plus an estimated $23,194,908 in interest. See "PLAN OF FINANCING – The Series 2017J Projects and Series 2017J Participating K-12 Institutions." Under the

Subleases, if the Costs of a Sublessee's project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund (a "**cost savings**"), a portion of such cost savings, as determined by the State Treasurer, may, upon the consent of the Assistance Board, be shared with the Sublessee through the return of a portion of any cash payment of Matching Moneys or forgiveness of a portion of the Base Rent that would otherwise be payable under the respective Sublease, principal, premium, if any, and interest that would otherwise be due on the Sublessee's Matching Moneys Bond or Matching Moneys Installment Payments that would otherwise be payable under the respective Sublease, as applicable.

After the execution and delivery of the Series 2017J-K Certificates, an aggregate principal amount of approximately $235,679,201 in future Matching Moneys Bonds relating to all Certificates will be outstanding. The related Participating K-12 Institutions have obtained voter approval for such Matching Moneys Bonds, so the payment of the related Matching Moneys will not be subject to annual appropriation by the Participating K-12 Institutions. Each of the Matching Moneys Bonds will constitute general obligations of the related Participating K-12 Institution and all of the taxable property within the boundaries of the Participating K-12 Institution will be subject to the levy of an ad valorem tax to pay the principal of, premium, if any, and interest on the related Matching Moneys Bonds without limitation as to rate and in an amount sufficient to pay the Matching Moneys Bonds when due. Based upon the opinion of bond counsel for the relevant Participating K-12 Institutions, the Matching Moneys Bonds may bear a supplemental coupon as part of fully funding the related Matching Money requirement if permissible under the ballot approved by voters.

Unless a Participating K-12 Institution that has Matching Moneys Bonds constituting general obligation bonds opts not to participate, Section 22-41-110, C.R.S. (the "**Bond Payment Act**") is applicable. Each of the Participating K-12 Institutions that has Matching Moneys Bonds constituting general obligation bonds has notified the State of its participation under the Bond Payment Act.

Under the Bond Payment Act, if the paying agent with respect to a particular Matching Moneys Bond has not received a payment on the Matching Moneys Bond on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the Participating K-12 Institution that issued the Matching Moneys Bond. The State Treasurer is then required to contact the Participating K-12 Institution to determine whether the Participating K-12 Institution will make the payment by the date on which it is due. If the Participating K-12 Institution indicates to the State Treasurer that it will not make the payment on the Matching Moneys Bond by the date on which it is due, the State Treasurer is required to forward to the paying agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the Matching Moneys Bond.

If the State Treasurer makes a payment on a Matching Moneys Bond under the Bond Payment Act, he or she is required to withhold such amount from the next succeeding payment to that school district of the State's share of the school district's required funding under Colorado's Public School Finance Act of 1994 and from property tax and specific ownership revenues collected by the county treasurer on behalf of the district (except property taxes levied for the payment of bonds) on each occasion on which the State Treasurer makes a payment on a bond on behalf of a district. While the withholding of such funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the Bond Payment Act does not correspondingly limit the State's contingent obligation to pay the Matching Moneys Bonds.

If the State Treasurer is required to make a payment on a Matching Moneys Bond, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the Matching Moneys Bond and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke, rescind, modify or amend the Bond Payment Act so as to limit or impair the rights and remedies granted under the Bond Payment Act. The Bond Payment Act provides, however, that it shall not be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The Bond Payment Act further provides that it shall not be deemed or construed to create a debt of the State with respect to any Matching Moneys Bond within the meaning of any State Constitutional provision or to create any liability except as specifically provided in the Bond Payment Act.

The Act provides that the maximum total of annual lease payments payable by the State under the Leases during any fiscal year under the terms of all outstanding Leases is (i) $20 million for the 2008-2009 fiscal year, (ii) $40 million for the 2009-2010 fiscal year, (iii) $60 million for the 2010-2011 fiscal year, and (iv) $80 million for the 2011-2012 fiscal year and for each fiscal year thereafter through the 2015-16 fiscal year; (v) $90 million for the 2016-17 fiscal year and (vi) $100 million for the 2017-18 fiscal year and each fiscal year thereafter. The State Treasurer may enter into Leases for which the aggregate annual lease payments of principal or interest for any fiscal year exceed one-half of the maximum total amount of annual lease payments provided in the preceding sentence only if the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual lease payments of principal and interest payable by the State during any fiscal year that exceed one-half of said maximum total amount. Aggregate rent under the Prior Certificates and Series 2017J-K Certificates is not expected to reach 50% of the maximum amount stated above.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2017J-K Certificates. Once Matching Moneys payable in installments are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay the Series 2017J-K Certificates or for other purposes, including defraying the cost of Projects.

In addition to funding Rent, amounts in the Assistance Fund are used for a variety of purposes including emergency grants, grants, operating expenses and other uses permitted by the Act.

Assistance Fund Details

The following table shows unaudited financial information relating to the Assistance Fund for the prior five fiscal years:

Assistance Fund Details[1]

	As of June 30, 2013	As of June 30, 2014	As of June 30, 2015	As of June 30, 2016	As of June 30, 2017
Assets[2]	$181,873,307	$211,715,915	$273,726,751	$367,185,353	$387,805,807
Liabilities[3]	28,890,437	35,004,455	29,676,042	12,499,932	2,209,304
Fund Balance	152,982,870	176,711,460	244,050,709	354,685,421	385,596,503
Restrictions and Encumbrances[4]	(113,974,260)	(105,026,016)	(75,357,636)	(96,722,176)	(68,505,539)
Available Fund Balance[5]	39,008,610	71,685,444	168,693,073	257,963,245	317,090,964
	Fiscal Year 2012-2013	**Fiscal Year 2013-2014**	**Fiscal Year 2014-2015**	**Fiscal Year 2015-2016**	**Fiscal Year 2016-2017**
Revenue:					
Transfers In for Grants and Construction Payments[6]	$167,118,207	$161,449,895	$174,722,392	$70,299,333	$ 0
Rents and Royalties from State Land Board	61,662,736	85,914,869	92,505,484	65,802,073	58,501,081
Lottery	8,644,124	4,735,342	1,997,456	8,070,499	2,273,562
Marijuana Excise Tax	--	3,012,860	23,949,565	40,000,000	40,000,000
Marijuana Sales Tax (Proposition BB)	--	--	--	40,000,000	0
Matching Moneys	10,313,129	14,869,683	16,790,544	16,394,960	16,395,130
Interest	1,661,848	1,714,872	2,032,658	2,646,015	4,099,368
Expenditures:					
Grants	21,352,147	26,505,999	29,149,157	23,034,064	42,992,299
Construction Payments[6]	167,172,154	172,741,463	160,252,638	53,441,158	0
Base Rent Payments	34,268,889	47,886,054	54,484,817	54,418,487	45,873,514
Administration and Other	860,833	835,505	772,238	1,684,461	1,492,245
Change in Fund Balance	$25,746,021	$23,728,590	$67,339,249	$110,634,710	$30,911,082

(1) This presentation is unaudited because the Assistance Fund is not statutorily authorized to publish audited financial statements. It has been prepared from the Assistance Fund's accounting records which are subject to audit as part of the State's Comprehensive Annual Financial Report audit.

(2) Primarily reflects cash and year-end accrued receivables. No portion of the Certificate proceeds are reported in this balance.

(3) Primarily reflects Matching Moneys on deposit from Participating K-12 Institutions and year-end accrued construction payments payable. Does not include Base Rent payments on the Certificates.

(4) Primarily reflects payment obligations for approved project costs that are not financed with proceeds of the Certificates.

(5) This available fund balance includes designations of cash on hand. The designation of cash on hand consists of statutory requirements for BEST emergency funds, debt obligation payments, direct deposits held, and anticipated cash distributions for the following Fiscal Year.

(6) Includes Trustee payments directly to construction contractors from Certificate proceeds. The Certificate-related portion of these line items are equal and offsetting and have no effect on the Available Fund Balance of the Assistance Fund. The amounts are required to be recorded in the State's official book of record by the Assistance Fund in order to support the recording of capital assets subleased by the State Treasurer to Participating K-12 Institutions. Those capital assets collateralized the State's liability recorded pursuant to entering into the Leases with the Trustee.

Source: Colorado Department of Education.

State Appropriation or Transfer from Legally Available Sources

If the amount of moneys in the Assistance Fund that is available to pay lease payments under the Leases will be insufficient to cover the full amount of the lease payments required by the Leases, the Act provides that the General Assembly may appropriate or transfer from any legally available source to the Assistance Fund sufficient moneys to make the lease payments. **However, the General Assembly is not obligated to appropriate or transfer moneys for such purpose and the decision whether or not to appropriate any such amount for such purpose will be in the General Assembly's sole discretion. See Appendix E hereto.**

Future Changes in Laws

Various Colorado laws, including the Act, apply to the priority and allocation of Public School Lands Income, availability of funds for appropriation by the State and other operations of the State. There is no assurance that there will not be any change in interpretation of, or addition to the applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the affairs of the State or amounts deposited in the Assistance Fund.

APPENDIX H
Leased Property Relating to Prior Certificates[(1)]

The following table describes the Leased Property subject to the Site Leases between the Trustee and the respective Participating K-12 Institutions relating to the Series 2009A Certificates, the Series 2010B Certificates, the Series 2010C Certificates, the Series 2010D Certificates, the Series 2010E Certificates, the Series 2010F Certificates, the Series 2011G Certificates (refunded with proceeds of the Series 2017K Certificates), the Series 2012H Certificates and the Series 2013I Certificates (collectively, the "**Prior Certificates**").

Participating K-12 Institutions	Description of Leased Property	Land
Series 2009 A Certificates		
Alamosa School District No. Re-11J	Two elementary schools (144,688 sq. ft./72 classrooms)[(2)]	26.6-acre parcel of undeveloped land valued at $226,000
Sangre de Cristo School District Re-22J	One K-12 school (81,000 sq. ft/24 classrooms)[(2)]	40-acre parcel of agricultural land valued at $32,667
Sargent Re-33J	One junior/senior high school (62,463 sq. ft/18 classrooms)[(2)(3)]	1.2-acre parcel valued at $6,656
Series 2010B-C Certificates		
Alta Vista Charter School, Inc.	Addition to K-8 School[(2)] (18,000 sq. ft. + renovation)	7.4-acre parcel valued at $37,634
Colorado School for the Deaf and Blind	Historical Building Renovation[(2)] (6,000 sq. ft. addition/7 classrooms)	0.6-acre parcel valued at $55,756
Delta County Joint School District 50	Existing Elementary School[(2)]	10.5-acre parcel valued at $60,000
Douglas County School District, Re1	Existing Administrative Building[(2)]	2.1-acre parcel valued at $283,484
El Paso County School District No. 8	Existing Activity Center Building[(2)]	4.1-acre parcel valued at $78,000
Miami Yoder School District JT-60	Phase II of New PK-12 School (64,974 sq. ft.)[(2)]	2-acre parcel valued at $1,300
Park County School District Re-2	New PK-12 Campus (125,000 sq. ft./40 classrooms)[(2)]	9.8-acre parcel valued at $657,416
San Juan County School District No. 1	Renovate Historical K-12 School (21,500 sq. ft. bldg + 10,000 sq. ft. gym)[(2)]	1.1-acre parcel valued at $1,108,600
Swink School District No. 33	Elementary School Classroom Addition (5,800 sq. ft./6 classrooms)[(2)]	0.3-acre parcel valued at $230
Series 2010D-F Certificates		
Akron School District No. R-1	PK-12 school (108,700 sq. ft./32 classrooms)[(2)]	5.14-acre parcel of land valued at $125,300
Center Joint Consolidated School District No. 26	K-12 school (105,000 sq. ft./60 classrooms)[(2)]	14.3-acre parcel of land valued at $39,341

Participating K-12 Institutions	Description of Leased Property	Land
Holly School District RE-3	PK-12 School (73,631 sq. ft./42 classrooms)(2)	23.0-acre parcel of land valued at $51,354
Lake George Charter School	PK-6 School (21,000 sq. ft./12 classrooms)(2)	10.0-acre parcel of land valued at $100,000
Mapleton School District	Partial campus improvements (404,250 sq. ft./121 classrooms affected)(2)	34.8-acre parcel of land valued at $695,000
Monte Vista Consolidated School District No. 8	High School and Elementary School (128,531 sq. ft./ 56 classrooms)(2)	8.8-acre parcel of land valued at $504,733
North Routt Community Charter School	K-8 School (12,241 sq. ft./6 classrooms)(2)(3)	8.0-acre parcel of land valued at $60,000(3)
Salida School District R-32-J	High School (98,190 sq. ft. bldg./22 classrooms)(2)	14.5-acre parcel of land valued at $453,370
Vista Charter School	Grades 6-8 School (16,835 sq. ft./9 classrooms)(2)	2.3-acre parcel of land valued at $595,000
Series 2011G Certificates (refunded with proceeds of the Series 2017K Certificates)		
Big Sandy School District	New PK-12 School (83,412 sq. ft./34 classrooms)(2)	33.9-acre parcel of land valued at $55,000
Eagle County Charter Academy	K-8 School (45,000 sq. ft./26 classrooms)(2)	6.001-acre parcel of land valued at $304,550
Ellicott School District	Middle School (74,466 sq. ft./27 classrooms) (2)	8.61-acre parcel of land valued at $10,501
Englewood School District	High School (97,800 sq. ft./30 classrooms) (2)	12.68-acre parcel of land valued at $1,601,788
Horizons School	K-8 Charter School Addition (37,725 sq. ft. with 10 classrooms)(2)(3)	1.045-acre parcel of land valued at $133,266
Idalia School District	PK-12 Gym(2)(3)	1.91-acre parcel of land valued at $291
Ignacio School District	Cafeteria, stage and kitchen addition(2)	0.484-acre parcel of land valued at $21,054
Prairie School District	PK-12 School (57,764 sq. ft./20 classrooms)(2)(3)	24.394-acre parcel of land valued at $2,486
Sanford School District	Bus barn and building(2)	2.685-acre parcel of land valued at $2,658
Series 2012H Certificates		
Elbert School District No. 200	PK-12 school 73,869 sq. ft. w/25 classrooms(2)	10.1-acre parcel of land valued at $46,739
Genoa-Hugo School District No. C-113	South Wing of PK-12 school 37,902 sq. ft.(2)	8.66-acre parcel of land valued at $6,381

Participating K-12 Institutions	Description of Leased Property	Land
Greeley School District No. 6	Middle school 103,267 sq. ft. w/36 classrooms(2)	20.0-acre parcel of land valued at $3,386
Hi-Plains School District No. R-23	PK-12 school 51, 268 sq. ft. w/20 classrooms(2)	40-acre parcel of land valued at $34,000
Lake County School District No. R-1	High school addition 38,000 sq. ft. w/15 classrooms(2)(4)	2.09-acre parcel of land valued at $21,326
Montezuma-Cortez School District No. RE1	High school 162,500 sq. ft. w/25 classrooms(2)	35.47-acre parcel of land valued at $600,000
Otis School District No. R-3	PK-12 School 67,764 sq. ft. w/21 classrooms(2)	13.45-acre parcel of land valued at $62,852
Platte Valley School District No. RE3	Gym & weight room 19,273 sq. ft.(2)	0.98-acre parcel of land valued at $2,421
Sheridan School District No. 2	Early childhood center(2)(3) 129,927 sq. ft. w/49 classrooms	14.045-acre parcel of land valued at $1,774,220
Series 2013I Certificates		
Creede School District	K-12 School Replacement 37,277 SF w/15 classrooms(2)	15.01-acre parcel of land valued at $300,000
Haxtun School District RE-2J	K-12 Renovation and Addition 86,753 SF w/23 classrooms(2)	7.91-acre parcel of land valued at $1,091
Kim Reorganized School District No. 88	Renovation and Addition to PK-12 School 31,987 SF w/11 classrooms(2)	2.14-acre parcel of land valued at $47,308
Limon School District No. RE 4J	New PK-12 School and Gym Renovation 118,000 SF w/40 classrooms(2)	7.06-acre parcel of land valued at $7,345
Moffat School District No. 2, in the County of Saguache and State of Colorado	PK-12 School Replacement 49,644 SF w/21 classrooms(2)	14.35-acre parcel of land valued at $7,941
South Conejos School District No. RE-10	PK-12 School Replacement 63,583 SF w/19 classrooms(2)	22.89-acre parcel of land valued at $8,275
2015 Supplemental Indenture		
Morgan County School District Re-3	Morgan County High School(2)	11.89 acres valued at $58,682

(1) The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under "SECURITY AND SOURCE OF PAYMENT." In some cases, the Leased Property is comprised of existing facilities which were not wholly or partially financed with the proceeds of the Certificates.

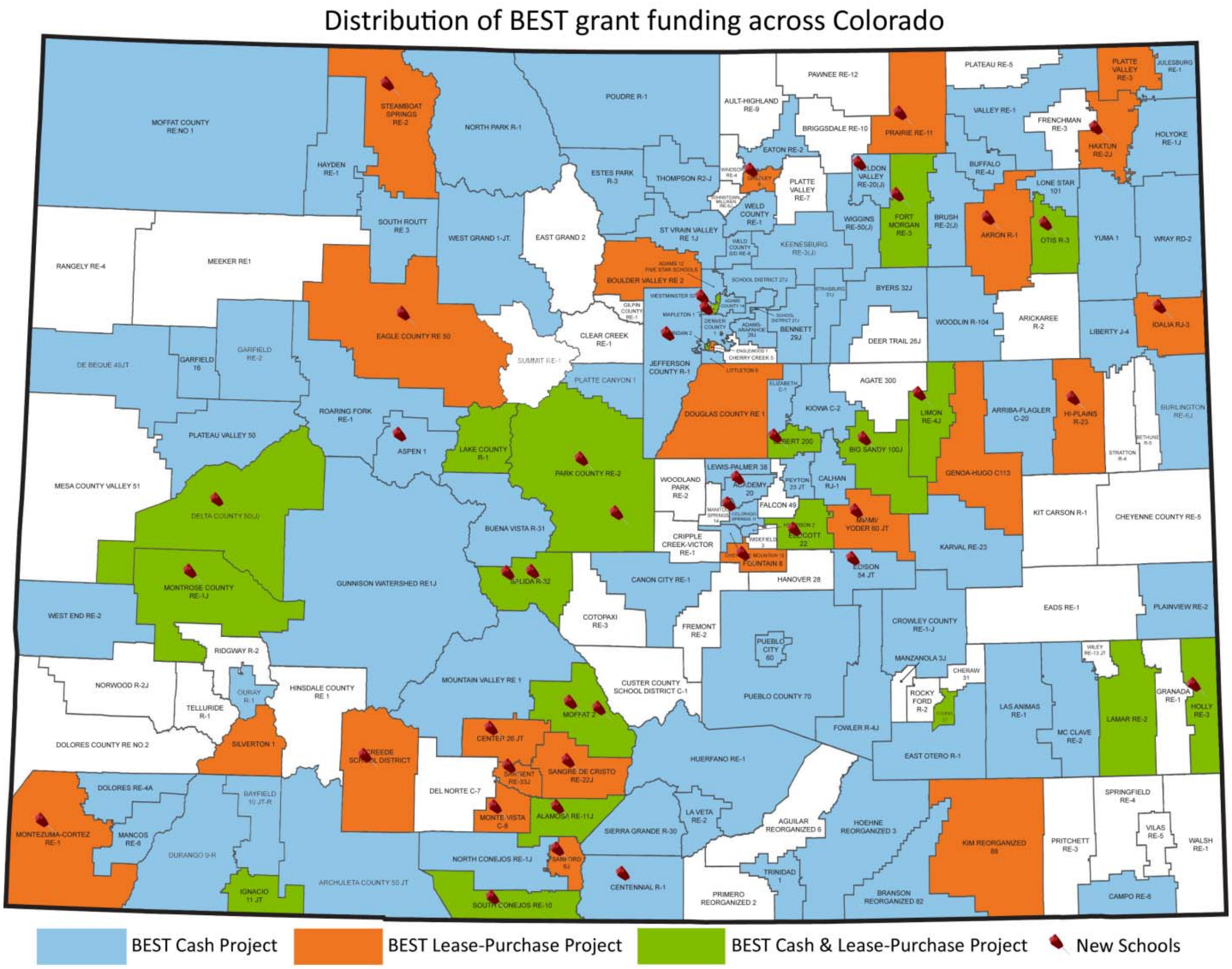
(2) These Projects have been cleared for occupancy and are currently in operation. Remaining Projects in this table have not been cleared for occupancy and are being funded from amounts remaining in the related Project Accounts and, in some cases, Matching Moneys that may be withdrawn from the Assistance Fund to pay Project costs.

(3) Restricted by deed to educational purposes. Accordingly, the ability of the Trustee to lease such Leased Property to third parties upon the occurrence of an Event of Nonappropriation or Event of Default and subsequent vacating of such property

will be limited to Lessee's desiring to use the property for educational purposes. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease."

(4) Upon the failure of the Rocky Mountain Deaf School to satisfy certain contractual obligations, the State Board reallocated funds originally designated to such school to the Lake County School District to fund another qualified project.

The following map shows the geographic distribution of the BEST projects[(1)] in the State.



(1) Does not reflect Series 2017J Projects.

Source: Colorado Department of Education.

(THIS PAGE INTENTIONALLY LEFT BLANK)

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 Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of June 2017 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State. See also "APPENDIX E – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX F – OSPB SEPTEMBER 2017 REVENUE FORECAST."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State's population and 62% of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX E – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX F – OSPB SEPTEMBER 2017 REVENUE FORECAST."

[Remainder of page intentionally left blank]

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**
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6	301.2	1.0
2008	4.9	1.7	304.1	1.0
2009	5.0	1.5	306.8	0.9
2010	5.1	1.5	309.3	0.8
2011	5.1	1.4	311.7	0.7
2012	5.2	1.4	314.0	0.7
2013	5.3	1.5	316.2	0.7
2014	5.4	1.6	318.6	0.7
2015	5.5	1.9	320.9	0.7
2016	5.6	1.8	323.1	0.7

Note: Figures for 2006 through 2015 are estimates. The U.S. 2016 count is an estimate, and the 2016 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program

[Remainder of page intentionally left blank]

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2016		United States, 2015	
	Population (millions)	**% of total Population**	**Population (millions)**	**% of total Population**
Under 18	1.30	23.4%	73.65	22.9%
18 to 24	0.55	9.8	31.22	9.7
25 to 44	1.52	27.4	84.73	26.4
45 to 64	1.44	26.0	84.07	26.2
65+	0.75	13.4	47.76	14.9
Total	5.56	100.0%	321.42	100.0%
Median Age	37.1		37.8	

Note: Totals may not add due to rounding. The U.S. 2015 count is an estimate, and the Colorado 2016 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**
2012	$45,089		$41,105		$44,282	
2013	46,824	3.8%	42,154	2.6%	44,493	0.5%
2014	49,823	6.4	44,433	5.4	46,464	4.4
2015	50,971	2.3	45,691	2.8	48,190	3.7
2016	52,059	2.1	46,635	2.1	49,571	2.9

[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)*	% Change	Annual Average Unemployment Rate	
					Colorado	United States
2012	2,757.2		2,539.9		7.9%	8.1%
2013	2,775.7	0.7%	2,586.0	1.8%	6.8	7.4
2014	2,810.4	1.3	2,670.0	3.2	5.0	6.2
2015	2,833.5	0.8	2,723.0	2.0	3.9	5.3
2016	2,891.0	2.0	2,795.2	2.7	3.3	4.9
Year-to-date averages through March:						
2016	2,864.6		2,754.4		3.8%	5.2%
2017	2,919.9	1.9%	2,830.6	2.8%	3.1	4.9

* 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

[Remainder of page intentionally left blank]

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	2012	2013	2014	2015	2016	Most Recent Quarter 2015Q4	Most Recent Quarter 2016Q4	Most Recent Quarter % Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	14,513	14,348	14,935	15,624	16,469	15,217	16,389	7.7%
Mining	30,225	30,433	33,847	30,565	23,573	27,461	23,053	-16.1
Utilities	8,037	7,832	8,140	8,202	8,239	8,272	8,206	-0.8
Construction	115,753	127,597	142,140	148,638	155,139	152,118	159,147	4.6
Manufacturing	131,978	132,691	136,216	140,831	142,381	141,837	142,769	0.7
Wholesale Trade	94,262	96,636	99,825	103,253	104,882	104,535	105,547	1.0
Retail Trade	243,699	249,235	254,942	263,104	269,032	271,962	276,058	1.5
Transportation and Warehousing	59,850	62,398	65,180	67,287	68,327	68,495	70,368	2.7
Information	69,733	69,817	70,001	70,599	71,730	70,815	71,807	1.4
Finance and Insurance	99,754	103,136	103,623	106,344	108,970	107,772	109,935	2.0
Real Estate and Rental and Leasing	41,895	42,849	44,497	46,944	48,707	47,935	49,506	3.3
Professional and Technical Services	178,313	188,984	196,684	204,586	210,093	207,453	212,952	2.7
Management of Companies and Enterprises	31,761	34,591	35,406	36,488	36,833	36,747	36,524	-0.6
Administrative and Waste Services	145,383	148,745	154,121	157,385	158,535	159,617	160,399	0.5
Educational Services	31,494	31,997	32,965	33,847	34,992	34,922	35,581	1.9
Health Care and Social Assistance	246,951	250,654	261,428	275,183	287,168	280,808	291,698	3.9
Arts, Entertainment, and Recreation	46,704	47,166	48,978	50,707	52,625	48,335	49,765	3.0
Accommodation and Food Services	232,875	242,100	251,052	261,704	270,673	261,047	268,941	3.0
Other Services	67,988	69,554	72,443	75,157	78,231	75,796	78,657	3.8
Unclassified	745	1,388	2,783	1,478	759	1,031	116	-88.7
Government	374,628	383,637	388,566	396,853	405,690	402,134	411,685	2.4
Total*	2,266,539	2,335,786	2,417,769	2,494,777	2,553,045	2,524,308	2,579,102	2.2%

* Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages

[Remainder of page intentionally left blank]

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2017. 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	28,000
The Kroger Co. (King Soopers/City Market)	Supermarkets	21,600
UCHealth[2]	Healthcare	18,000
Centura Health	Healthcare	15,800
HealthONE Corporation	Healthcare	10,800
SCL Health System	Healthcare	8,700
Lockheed Martin Corporation	Aerospace & Defense Related Systems	8,600
Comcast Corporation	Telecommunications	8,000
Home Depot	Building Materials Retailer	8,000
Kaiser Permanente	Health Maintenance Organization	7,000
Children's Hospital Colorado	Healthcare	6,600
Target Corporation	General Merchandise	6,600
Vail Resorts	Leisure & Hospitality	6,400
Safeway Inc.	Supermarkets	7,800
Wells Fargo	Banking/Financial Services	6,000
United Airlines	Airline	5,800
United Parcel Service	Delivery Services	5,000
Banner Health	Healthcare	5,000
CenturyLink	Telecommunications	4,800
JBS Swift & Company	Beef Processing/Corporate Office	4,500
DISH Network	Satellite TV & Equipment	4,300
FedEx Corp.	Transportation, E-commerce	4,300
Walgreen Company	General Merchandise	4,300
Oracle	Software & Network Computer Systems	4,200
University of Denver	Private University	4,100

[1] Includes both full- and part-time employees.
[2] Some workers are also included in the employment count for the University of Colorado System (next table).
Source: Compiled by Development Research Partners from various sources, May 2017.

[Remainder of page intentionally left blank]

The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2017.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	50,900
Federal Government (except USPS)	45,000
University of Colorado System[2]	20,200
Denver Public Schools	13,000
City & County of Denver	12,700
Jefferson County Public Schools	11,500
U.S. Postal Service	9,900
Douglas County School District RE-1	8,100
Cherry Creek School District No 5	8,000
Colorado State University	7,200
Denver Health	7,100
Aurora Public Schools	6,300
Adams 12 Five Star Schools	4,700
Boulder Valley School District RE-2	4,200
Poudre School District R-1	4,000
Colorado Springs School District 11	3,900
St. Vrain Valley School District RE-1J	3,900
City of Aurora	3,500
Academy Schools District No 20	3,400
Jefferson County	3,100
Mesa County Valley School District 51	2,800
Regional Transportation District (RTD)	2,800
El Paso County	2,600
Arapahoe County	2,600
Greeley 6 School District	2,500

[1] Includes both full- and part-time employees.
[2] Some workers are also included in the employment count for UCHealth (previous table).
Source: Compiled by Development Research Partners from various sources, May 2017.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		**Retail Sales**	
	Amount (billions)	**% Change**	**Amount (billions)**	**% Change**
2011	$216.16		$155.05	
2012	225.15	4.2%	164.57	6.1%
2013	240.36	6.8	172.78	5.0
2014	257.14	7.0	182.71	5.7
2015	252.49	-1.8	182.85	0.1
Year-to-date totals through February:				
2015	$32.97		$25.94	
2016	31.65	-4.0%	$24.96	-3.8%

Source: Colorado Department of Revenue

[Remainder of page intentionally left blank]

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions)and Percentage Change From Prior Year

Industry	2011	% Change	2012	% Change	2013	% Change	2014	% Change	2015	% Change	Year-to-date Totals Through February 2015	2016	% Change
Agriculture/Forestry/Fishing	411.7	22.4%	406.2	-1.3%	387.0	-4.7%	440.5	13.8%	500.6	13.6%	27.7	25.5	-8.0%
Mining	3,111.7	22.9	3,815.6	22.6	4,611.8	20.9	5,573.0	20.8	3,743.4	-32.8	709.9	348.8	-50.9
Utilities	7,353.2	-29.1	7,332.9	-0.3	7,635.7	4.1	7,929.0	3.8	7,612.1	-4.0	1,453.1	1,340.5	-7.8
Construction	2,829.3	2.6	3,396.0	20.0	3,531.5	4.0	4,170.5	18.1	4,685.8	12.4	530.4	525.2	-1.0
Manufacturing	15,909.3	52.6	18,192.1	14.3	18,747.5	3.1	19,782.9	5.5	15,864.8	-19.8	2,204.8	1,807.1	-18.0
Wholesale Trade	13,084.9	5.3	14,012.4	7.1	15,041.3	7.3	15,158.8	0.8	14,427.2	-4.8	1,725.4	1,769.3	2.5
Retail Trade:													
Motor Vehicle and Auto Parts	12,986.8	15.0	14,435.4	11.2	15,667.7	8.5	17,449.0	11.4	18,995.4	8.9	2,696.1	2,739.5	1.6
Furniture and Furnishings	2,049.0	7.8	2,265.5	10.6	2,461.8	8.7	2,653.3	7.8	2,868.8	8.1	396.6	436.5	10.1
Electronics and Appliances	2,224.2	5.0	2,077.8	-6.6	1,998.6	-3.8	2,258.5	13.0	2,387.6	5.7	323.1	326.8	1.1
Building Materials/Nurseries	4,515.0	2.9	4,824.6	6.9	5,298.3	9.8	5,926.0	11.8	6,373.2	7.5	776.8	824.8	6.2
Food/Beverage Stores	14,433.2	8.0	15,298.5	6.0	15,729.9	2.8	15,964.5	1.5	16,619.2	4.1	2,878.8	2,441.1	-15.2
Health and Personal Care	2,712.1	7.2	2,886.9	6.4	3,166.1	9.7	3,730.3	17.8	4,384.1	17.5	576.8	665.4	15.4
Gas Stations	5,778.1	23.1	6,011.1	4.0	5,869.2	-2.4	5,702.2	-2.8	4,815.3	-15.6	609.0	570.6	-6.3
Clothing and Accessories	3,337.4	7.0	3,510.2	5.2	3,559.2	1.4	3,735.3	4.9	3,810.6	2.0	493.3	491.9	-0.3
Sporting/Hobby/Books/Music	2,680.6	7.8	2,674.0	-0.2	2,767.7	3.5	2,920.2	5.5	3,009.1	3.0	430.0	472.7	9.9
General Merchandise/Warehous	11,722.3	5.7	12,185.7	4.0	12,408.3	1.8	12,850.3	3.6	13,073.8	1.7	1,840.2	1,859.4	1.0
Misc Store Retailers	2,938.6	20.0	3,147.8	7.1	3,752.3	19.2	4,760.9	26.9	5,256.5	10.4	730.3	660.8	-9.5
Non-Store Retailers	1,550.2	-33.7	1,456.0	-6.1	1,584.7	8.8	1,697.1	7.1	1,742.1	2.7	247.9	234.5	-5.4
Total Retail Trade	66,927.7	5.6%	70,773.7	5.7%	74,263.5	4.9%	79,647.7	7.3%	83,335.5	4.6%	11,999.1	11,724.0	-2.3%
Transportation/Warehouse	593.1	12.1	710.2	19.8	828.4	16.6	978.3	18.1	931.3	-4.8	103.5	119.5	15.4
Information	6,321.8	-8.2	6,242.2	-1.3	5,789.3	-7.3	5,449.8	-5.9	5,413.0	-0.7	806.2	758.7	-5.9
Finance/Insurance	3,085.9	-3.8	3,130.7	1.5	2,493.2	-20.4	1,689.9	-32.2	2,668.7	57.9	166.1	390.6	135.1
Real Estate/Rental/Lease	3,154.3	8.2	3,240.7	2.7	3,561.7	9.9	4,172.9	17.2	4,389.0	5.2	700.1	702.8	0.4
Professional/Scientific/Technical	6,768.8	3.3	6,818.2	0.7	7,474.7	9.6	6,966.6	-6.8	6,929.3	-0.5	784.0	705.7	-10.0
Admin/Support/Waste/Remediatio	1,882.7	3.3%	1,866.1	-0.9	2,044.5	9.6	2,070.8	1.3	2,245.9	8.5	234.7	247.9	5.6
Education	487.1	1.5	490.8	0.8	478.1	-2.6	481.6	0.7	490.5	1.9	62.6	60.8	-2.9
Health Care/Social Assistance	6,222.6	3.7	6,318.5	1.5	6,827.2	8.1	7,240.1	6.0	6,896.1	-4.8	1,099.5	902.8	-17.9
Arts/Entertainment/Recreation	987.2	3.3	1,036.6	5.0	1,104.4	6.5	1,169.9	5.9	1,337.8	14.4	184.4	206.2	11.8
Accommodation	3,014.9	10.9	3,199.2	6.1	3,375.6	5.5	3,747.8	11.0	4,043.4	7.9	629.9	653.3	3.7
Food/Drinking Services	8,876.4	6.5	9,474.1	6.7	9,976.8	5.3	10,858.9	8.8	11,615.6	7.0	1,785.0	1,902.3	6.6
Other Services	3,763.6	5.5	3,867.8	2.8	4,359.0	12.7	4,926.4	13.0	5,441.9	10.5	699.6	726.7	3.9
Government	268.2	2.2	244.5	-8.8	252.6	3.3	254.8	0.8	273.4	7.3	38.4	39.6	3.0
Total All Industries	155,054.2	8.0%	164,568.4	6.1%	172,784.0	5.0%	182,710.0	5.7%	182,845.3	0.1%	25,944.3	24,957.1	-3.8%

Source: Colorado Department of Revenue

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Park Visits[1]		Conventions[2]						Skier Visits[3]	
			Conventions		Delegates		Spending			
	Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number (millions)	% Change
2012	5.81		98		266.1		$530.1		11.02	
2013	5.39	-7.2%	84	-14.3%	265.7	-0.2%	529.3	-0.2%	11.45	3.9%
2014	6.03	11.8	76	-9.5	289.3	8.9	576.3	8.9	12.60	10.1
2015	7.08	17.3	73	-3.9	236.8	-18.1	546.6	-5.2	12.54	-0.5
2016	7.46	5.4	66	-9.6	242.7	2.5	543.4	-0.6	13.39	6.8

[1] Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[2] Includes only those conventions 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
2012	12,617	304	97	10,283	23,301	72.6%
2013	15,772	408	148	11,189	27,517	18.1
2014	17,104	532	146	10,916	28,698	4.3
2015	20,025	334	287	11,225	31,871	11.1
2016	21,577	556	242	16,599	38,974	22.3
Year-to-date totals through April:						
2016	6,820	48	76	3,284	10,228	
2017	7,462	112	66	5,641	13,281	
% change	9.4%	133.3%	-13.2%	71.8%	29.8%	

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*	% Change	Foreclosure Sales at Auction	% Change
2012	28,579	-10.6%	15,903	-18.9%
2013	15,333	-46.3	9,318	-41.4
2014	11,235	-26.7	6,003	-35.6
2015	8,241	-26.6	4,209	-29.9
2016	7,666	-7.0	3,128	-25.7

* Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing.

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 2016 (the "**PERA 2016 CAFR**"). The PERA 2016 CAFR was prepared by PERA staff employees and the firm of Cavanaugh Macdonald Consulting, LLC, 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 in 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. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2016 CAFR 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 2016 CAFR.*

The information in the State's Fiscal Year 2015-16 CAFR regarding PERA is derived from PERA's Comprehensive Annual Financial Report for the Plan Year ended December 31, 2015, while the information in this Official Statement regarding PERA is derived from the PERA 2016 CAFR. PERA implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("**GASB 67**"), beginning with the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014, as discussed in "Implementation by PERA of GASB 67" below. See also "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" in this Appendix.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created 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 arc 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 2016 CAFR 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 in the State's Fiscal Year 2015-16 CAFR and Notes 18, 19 and 20 to the financial statements in both such CAFR and the State's Fiscal 2016-17 Unaudited BFS 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 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 18, 19 and 20 to the financial statements in the State's Fiscal Year 2015-16 CAFR to this Official Statement, the PERA 2016 CAFR 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 2016 CAFR 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 the PERA 2014 CAFR.

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 in the State's Fiscal Year 2014-15 CAFR appended to this Official Statement. 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[2], or "**UAAL**." Net pension liability is to be measured as the total pension liability[3] of the plan less the amount of the plan's fiduciary net position[4].

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 AAI 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

[2] Actuarial accrued liability ("**AAL**") is 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. Unfunded actuarial accrued liability is the difference between the AAL and the valuation assets of the fund.

[3] 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.

[4] 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, were prepared by PERA's actuaries as of December 31, 2016, 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 2016 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2016 CAFR 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 2016, and the next experience study is planned 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. The baseline SRC that is made by the State for most State employees is 10.15% of the employee's salary. The State has consistently contributed the full amount of the SRC to the State Division Plan. See Note 18 and the Required Supplementary Information to the State's Fiscal Year 2015-16 CAFR appended to this Official Statement for a summary of the SRC percentages payable, and percentage amount of the SRC paid, by the State for the last three Fiscal Years, as well as total PERA plan contributions made by the State for each of the past ten Fiscal Years.

As required by statute, State employees contribute 8.0% (except for State Troopers and Colorado Bureau of investigation officers, who contribute 10%) of their wages to the State Division Plan, although per SB 10-001, for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for those Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the l0.15% SRC.

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, or

"**AED**," and the Supplemental Amortization Equalization Disbursement, or "**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 moneys that would otherwise have been used to provide market-based salary increases to employees. The AED applicable to the State Division Plan was effective as of January 1, 2006, and was initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The AED rate applicable to the State Division Plan was 4.2% in 2015, 4.6% in 2016 and is 5.0% in 2017. The SAED applicable to the State Division Plan was effective as of January 1, 2008, and was also initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The SAED rate applicable to the State Division Plan was 4.0% in 2015, 4.5% in 2016 and is 5.0% in 2017. The total SRC applicable to the State Division Plan will be equal to 20.15% of employee wages. See Note 18 to the State's fiscal Year 2015-16 CAFR appended to this Official Statement and Note 4 to the financial statements in the PERA 2016 CAFR for a further discussion of the AED and SAED.

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.

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 Plan assets or the funded ratio of the Plan. Any changes in the SRC would require legislative action by the General Assembly. See also "Funding Status of the State Division Plan" below.

While PERA has a pension funding policy as discussed in "Change in PERA Funding Policy" hereafter, the State does not have a formal or established policy or procedure for managing its pension liability. PERA annually provides a briefing to State officials and members of the General Assembly as to the status of the State Division Plan and occasionally may pursue legislation pertaining to changes in contribution and/or benefit provisions in furtherance of PERA's funding policy. Legislative proposals to modify the contributions, benefits, eligibility and other provisions of the State Division Plan also are introduced in the General Assembly from time to time independent of a request therefor from PERA.

The SRC is paid from the State General Fund as well as from certain federal and 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.

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[5], or "ARC," as a funding benchmark by

5 Prior to 2014, PERA used the annual required contribution, or 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

PERA is no longer required. Rather, this philosophical shift necessitates the development and use of a plan-specific actuarially determined contribution ("**ADC**") benchmark against which to gauge the 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 with regard to its trust funds to update and replace the prior funding policy dated November 2007. The purpose of the revised funding policy, as stated in the PERA 2016 CAFR, 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 2007-2016 (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 pensionable 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, 2013, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2016: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (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 2.80%; (v) real wage growth is assumed to be 1.10%; (vi) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 10.85%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inf1ation) is assumed to be 7.50%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 2.00% 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 2016 CAFR.

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.

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
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
2009	17.91	2,384,137	--	426,999	293,234	133,765	12.30
2008	18.45	2,371,639	--	437,567	267,533	170,034	11.28
2007	17.23	2,236,518	--	385,352	231,909	153,443	10.37

(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 2016 CAFR.

(3) The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2016 CAFR.

The Management’s Discussion and Analysis in the PERA 2016 CAFR states that, using the funding policy approved by the PERA Board in March 2015 and the 2016 actuarial funding valuation based on an assumed 7.50% investment rate of return and discount rate, the 2017 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 22.71%, and that using such funding policy and the 2016 actuarial funding valuation based on an assumed 7.25% investment rate of return and discount rate, the 2018 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 26.30%.

For historical information regarding employer contributions based on the ARC, see PERA’s Comprehensive Annual Financial Report for calendar year 2013 and Note 18B to the State’s Fiscal Year 2014-15 CAFR 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. In addition, investment returns on Plan assets have decreased following the negative effects of the global economic downturn that began in 2008. 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 8.5% to 8.0% in 2009, and again from 8.0% to 7.5% at the end of 2013 and from 7.50% to 7.25% effective as of January 1, 2017, and other economic assumptions, including the amortization period, have been changed over this period as well, to reflect actual results and new estimates about the future. For further information, see Management’s Discussion and Analysis in the State’s Fiscal Year 2015-16 CAFR appended to this Official Statement, as well as Management’s Discussion and Analysis, Note 10 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2016 CAFR.

The PERA 2016 CAFR reports that at December 31, 2016, the actuarial value of assets of the State Division Plan was approximately $14.0 billion and the AAL of the Plan was approximately $25.7 billion, resulting in a UAAL of approximately $11.6 billion and a funded ratio (*i.e.*, the actuarial value of Plan assets divided by the AAL) of only 54.6%. This UAAL would amortize over a 65-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC) and future increases in the AED and SAED, as well as an investment rate of return and discount rate for actuarially accrued liabilities of 7.25%.

The actuarial value of assets or 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. Accordingly, the full effect of recent fluctuations in assets of the State Division Plan as a result of economic and market conditions is not reflected in the funded ratio. Based on the market value of assets of the State Division Plan, the PERA 2016 CAFR report that at December 31, 2016, the UAAL of the Plan was approximately $12.1 billion and the funded ratio was 52.7%.

Table 2 below sets forth for each of the years 2007-2016 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 total pension liability for the State Division Plan was determined by actuarial valuations as of December 31, 2015, and accepted actuarial procedures were applied to roll forward the total pension liability to December 31, 2016. 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 2.00% per year compounded annually, 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 contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2016 CAFR.

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
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
2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1

(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 2016 CAFR.

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 a Percentage of Employer Payroll
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
2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9

(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 2016 CAFR.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2007 through 2016.

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, 2016, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2016 CAFR. The following table sets forth for each of the years 2007-2016 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									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
ADDITIONS										
Employer contributions	$521,804	$484,005	$444,372	$401,658	$ 335,073	$ 283,222	$ 287,624	$ 297,240	$ 270,353	$ 232,997
Member contributions	223,005	217,980	211,610	202,799	227,058	258,678	223,240	194,168	191,481	179,971
Purchased service	24,528	26,946	22,446	22,241	16,358	11,277	12,496	8,830	13,315	8,259
Investment income (loss)	947,981	210,337	780,762	1,931,658	1,511,244	232,669	1,553,142	1,742,571	(3,745,843)	1,388,265
Other	8,708	5,023	3,289	4,869	150	331	1	3	7	4
Total additions	1,726,026	944,291	1,462,479	2,563,225	2,089,883	786,177	2,076,503	2,242,812	(3,270,687)	1,809,496
DEDUCTIONS										
Benefit payments	1,483,828	1,417,862	1,352,293	1,295,780	1,231,922	1,174.707	1,122,435	1,071,725	999,279	925,761
Refunds	60,137	63,567	61,152	68,735	69,221	70,090	68,844	58,416	56,716	56,578
Disability insurance premiums	2,106	2,088	2,309	2,229	1,570	1,685	1,661	2,004	1,794	1,833
Administrative expenses	11,271	10,779	10,067	9,780	8,568	8,685	8,942	8,729	8,639	6,963
Other	3,040	3,406	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613	7,592
Total deductions	1,560,382	1,497,702	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156	1,139,355	1,073,041	998,727
Change in fiduciary net position	165,644	(553,411)	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)	810,769
Fiduciary net position held at beginning of year	13,460,536	14,013,947	13,980,460	12,797,352	12,022,661	12,487,105	11,611.758	10,508,301	14,852,029	14,041,260
Fiduciary net position held at end of year	$13,626,180	$13,460,536	$14,013,947	$13,980,460	$12,797,352	$12,022,661	$12,487,105	$11,611,758	$10,508,301	$14,852,029

Source: PERA 2016 CAFR.

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 2013-2016 (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 2016 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014-2016 (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]

(Dollar Amounts in Thousands)

	For the Year Ended December 31			
	2016	**2015**	**2014**	**2013**
Total pension liability[2]	$31,994,311	$23,991,569	$23,420,461	$22,888,431
Plan fiduciary net position	13,626,180	13,460,536	14,013,947	13,980,460
Net pension liability	$18,368,131	$10,531,033	$9,406,514	$8,907,971
Net pension liability as a percentage of total pension liability	42.59%	56.11%	59.84%	61.08%
Covered employee payroll	$2,710,651	$2,641,867	$2,564,670	$2,474,965
Net pension liability as a percentage of covered employee payroll	677.63%	398.62%	366.77%	359.92%

(1) Information for years prior to 2013 is not available.

(2) The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2015, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2016. The actuarial valuations as of December 31, 2016 used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

Source: PERA 2016 CAFR.

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 2016 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Implementation of Changes in Pension Accounting Standards Applicable to the State-GASB 68

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 in the State's Fiscal Year 2014-15 CAFR. 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. PERA reports that the State Division and a UAAL of approximately $9.7 billion as of December 31, 2013, $9.9 billion as of December 31, 2014, $10.2 billion as of December 31, 2015, and $11.6 billion as of December 31, 2016.

The State reported a liability in the State's Fiscal Year 2016-17 unaudited BFS of approximately $17.8 billion (consisting of approximately $17.5 billion for the State Division and $0.3 billion for the Judicial Division) at June 30, 2017 compared to a reported liability in the State's Fiscal Year 2015-16 CAFR of approximately $10.3 billion (consisting of approximately $10.1 billion for the State Division and $0.2 billion for the Judicial Division) at June 30, 2016, for its proportionate share of the net pension liability. The amounts presented for each Division were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 18C to the State's Fiscal Year 2015-16 CAFR and Note 6 to the State's Fiscal Year unaudited BFS 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 3 to the State's Fiscal Year 2014-15 CAFR and Note 1 to the State's Fiscal Year 2016-17 unaudited BFS appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 18C of the State's Fiscal Year 2015-16 CAFR and Note 6 to the State's Fiscal Year 2016-17 unaudited BFS.

The State's proportionate share of the net pension liability at the end of Fiscal Years 2013-14 through 2016-17 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)

(Dollar Amounts in Thousands)

	Fiscal Year 2016-17		Fiscal Year 2015-16		Fiscal Year 2014-15		Fiscal Year 2013-14	
	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division	State Division	Judicial Division
State's proportion of the net pension liability (asset)	95.49%	94.17%	95.71%	93.98%	95.85%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	$17,539,728	$239,423	$10,079,249	$172,828	$9,015,773	$129,500	$8,539,181	$102,756
State's covered-employee payroll	$2,982,023	$49,064	$3,322,863	$52,533	$2,765,684	$53,488	$2,503,941	$39,185
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	588.18%	487.98%	303.33%	330.12%	325.99%	242.11%	344.79%	218.83%
Plan fiduciary net position as a percentage of the total pension liability	42.59%	53.19%	56.11%	60.17%	59.84%	66.88%	61.08%	71.26%

(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 18C to the Financial Statements and Note RSI-1 to the Required Supplementary Information in the State's Fiscal Year 2015-16 CAFR appended to this Official Statement.

Sources: State Fiscal Year 2016-17 BFS.

A ten-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 2015-16 Unaudited BFS appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis in the State's Fiscal Year 2015-16 CAFR, as well as the introduction to Notes 1-7 and Notes 18-20 to the Financial Statements in the State's Fiscal Year 2015-16 CAFR.

Effect of Pension Liability on the Series 2017J-K 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 2015-16 CAFR 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 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 this Appendix J. The PERA Board has initiated discussion of reforms by proposing a series of recommendations which would impact most PERA membership. Other proposals likely will be made as interested parties seek to address PERA's risk profile and funding status. The State Legislature 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 2017J-K Certificates.

(THIS PAGE INTENTIONALLY LEFT BLANK)