

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, the portion of Base Rent designated and paid by the State as interest on the Series 2018A Certificates (referred to herein as "interest") is excludable from gross income for federal income tax purposes. Further, interest on the Series 2018A Certificates is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. See "TAX MATTERS" herein for a description of the federal alternative minimum tax, including alternative minimum tax on corporations for taxable years beginning before January 1, 2018, and certain other federal tax consequences of ownership of the Series 2018A Certificates. Bond Counsel is further of the opinion that, under existing State of Colorado statutes, regulations, rulings and court decisions, that such interest is excludable from taxable income for purposes of the State of Colorado income tax and State of Colorado alternative minimum tax. No opinion is expressed with respect to the federal income tax or Colorado income tax consequences of any payments received with respect to the Series 2018A Certificates following the termination of the Series 2018A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. See "TAX MATTERS" herein.



\$500,000,000
STATE OF COLORADO
RURAL COLORADO
CERTIFICATES OF PARTICIPATION
SERIES 2018A

Dated: Date of Delivery

Due: December 15, as shown on the inside cover

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

Maturity and interest rate information for the Series 2018A Certificates is located on the inside cover page of this Official Statement.

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

The net proceeds of the Series 2018A Certificates will be used to pay the costs of certain State transportation projects and other State capital construction projects, including controlled maintenance and upkeep of State assets, as further described herein and to pay the costs of issuance of the Series 2018A Certificates.

Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased from the Trustee pursuant to the Leases, subject to the terms of the Leases and the Indenture. The Leased Property will consist of the land and the buildings, structures and improvements now or hereafter located on such land that the State has leased to the Trustee pursuant to Site Leases and the Trustee has leased back to the State pursuant to Leases.

The Series 2018A Certificates are subject to redemption prior to their stated maturity date, as more fully described herein.

Payment of Rent and all other payments under the 2018A Lease constitute currently appropriated expenditures of the State of Colorado General Assembly (the "General Assembly") or currently allocated expenditures of the State of Colorado Transportation Commission (the "Transportation Commission") on behalf of the Colorado Department of Transportation ("CDOT") and may be paid solely from legally available moneys in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2018A Lease are subject to both annual appropriation by the General Assembly in its sole discretion and annual allocations by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State or CDOT within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State or CDOT within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

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

The Series 2018A Certificates are offered when, as and if delivered, subject to the approving opinion of Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Kline Alvarado Veio P.C., Denver, Colorado, has acted as counsel to the Underwriters. Hilltop Securities LLC, Denver, Colorado, has acted as municipal advisor to the State and Stifel Nicolaus & Company, Incorporated, Denver, Colorado, has acted as municipal advisor to CDOT in connection with the offering and execution and delivery of the Series 2018A Certificates. It is expected that the Series 2018A Certificates will be executed and available for delivery through the facilities of DTC, on or about September 26, 2018.

WELLS FARGO SECURITIES

BofA Merrill Lynch

George K. Baum & Company

J.P. Morgan

RBC Capital Markets

Dated: September 20, 2018.

MATURITY SCHEDULES
(CUSIP® 6-digit issuer number: 196711)

\$500,000,000
STATE OF COLORADO
RURAL COLORADO
CERTIFICATES OF PARTICIPATION
SERIES 2018A

<u>Maturing</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u>
2018	\$21,650,000	1.840%	1.840%	QN8
2019	15,875,000	3.500	1.970	QP3
2020	16,480,000	4.000	2.100	QQ1
2021	17,240,000	5.000	2.190	QR9
2022	18,125,000	5.000	2.290	QS7
2023	19,055,000	5.000	2.360	QT5
2024	20,030,000	5.000	2.500	QU2
2025	21,060,000	5.000	2.620	QV0
2026	22,140,000	5.000	2.740	QW8
2027	23,275,000	5.000	2.850	QX6
2028	24,465,000	5.000	2.950	QY4
2029	25,720,000	5.000	3.050 ⁽¹⁾	QZ1
2030	200,000	3.000	3.280	RA5
2030	26,840,000	5.000	3.120 ⁽¹⁾	RB3
2031	28,425,000	5.000	3.180 ⁽¹⁾	RC1
2032	325,000	3.250	3.510	RD9
2032	29,555,000	5.000	3.230 ⁽¹⁾	RE7
2033	31,245,000	4.000	3.680 ⁽¹⁾	RF4
2034	8,000,000	3.500	3.780	RH0
2034	24,505,000	4.000	3.750 ⁽¹⁾	RG2
2035	27,890,000	4.000	3.800 ⁽¹⁾	RJ6
2035	5,950,000	5.000	3.380 ⁽¹⁾	RK3
2036	7,000,000	3.625	3.890	RM9
2036	28,235,000	4.000	3.850 ⁽¹⁾	RL1
2037	26,715,000	4.000	3.910 ⁽¹⁾	RP2
2037	10,000,000	5.000	3.490 ⁽¹⁾	RN7

⁽¹⁾ Priced to the first optional redemption date of December 15, 2028.

© Copyright 2018, American Bankers Association. CUSIP herein provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The State makes no representation as to the accuracy of the CUSIP information provided herein.

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 2018A 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 2018A 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 2018A 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 2018A 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 2018A Certificates and may not be reproduced or used in whole or in part for any other purpose.

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

The Series 2018A 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 2018A Certificates and the terms of the offering, including the merits and risks involved. The Series 2018A 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 2018A 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 2018A CERTIFICATES, THE

UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2018A 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 “PLAN OF FINANCING,” “CERTAIN RISK FACTORS,” “STATE FINANCIAL INFORMATION,” “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION,” “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS,” “LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE” and in Appendices E, G and J contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimates,” “intends,” “expects,” “believes,” “anticipates,” “plans,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General	1
September 2018 Revenue Forecast to be Released After Pricing	2
Authority for Delivery	2
The General Fund and State Highway Fund	3
Purposes of the Series 2018A Certificates	4
The Series 2018A Projects	4
The Leased Property	4
Terms of the Series 2018A Certificates	4
Sources of Payment for the Series 2018A Certificates	5
Certain Risks to Owners of the Series 2018A Certificates	6
Availability of Continuing Information	6
State Economic and Demographic Information	6
Other Information	7
PLAN OF FINANCING	7
The Program	7
Sources and Uses of Funds	8
The Series 2018A Projects	8
THE SERIES 2018A CERTIFICATES	8
Generally	8
Book-Entry System	9
Redemption	9
BASE RENT	11
SECURITY AND SOURCES OF PAYMENT	12
Payments by the State	12
Lease Term	13
Nonrenewal of the Lease Term	13
The Leased Property	14
Additional Series of Certificates	15
CERTAIN RISK FACTORS	16
Option to Renew the Leases Annually	17
Effect of a Nonrenewal of a Lease	18
Enforceability of Remedies	19
Effects on the Series 2018A Certificates of a Nonrenewal Event	19
If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2018A Certificates May be Suspended or Terminated	20
Insurance of the Leased Property	21
State Budgets and Revenue Forecasts	21
Control of Remedies	22
Future Changes in Laws and Future Initiatives	22
THE STATE	22
General Profile	22
Organization	23

STATE FINANCIAL INFORMATION.....	23
The State Treasurer	23
Taxpayer’s Bill of Rights.....	24
State Funds.....	27
Budget Process and Other Considerations	27
Fiscal Controls and Financial Reporting.....	29
Basis of Accounting.....	30
Basis of Presentation of Financial Results and Estimates.....	30
Financial Audits	30
Investment and Deposit of State Funds.....	30
The State General Fund.....	31
THE COLORADO DEPARTMENT OF TRANSPORTATION.....	31
General.....	31
Organization of Department.....	32
The Transportation Commission.....	32
Current Operations.....	33
Transportation Plans	34
COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION	34
General.....	34
State Highway Fund (CDOT Operating Fund).....	34
General Fund Transfers.....	37
Other Revenues.....	37
Selected State and CDOT Financial Information.....	38
Financial Audits	38
CDOT Employee Retirement Plan.....	39
Appropriations and Budgetary Process.....	39
DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS.....	41
CDOT.....	41
The State, State Departments and Agencies	42
State Tax and Revenue Anticipation Notes	43
State Authorities.....	43
Pension and Post-Employment Benefits	44
LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE.....	46
Litigation with Respect to SB 17-267	46
Additional Litigation.....	47
Governmental Immunity	47
Self-Insurance	48
TAX MATTERS.....	49
Original Issue Premium and Discount	50
Changes in Federal and State Tax Law.....	51
IRS Audit Program.....	51
Information Reporting and Backup Withholding	51
UNDERWRITING	52
LEGAL MATTERS.....	53
RATINGS	53

MUNICIPAL ADVISORS	54
CONTINUING DISCLOSURE.....	54
Compliance with Other Continuing Disclosure Undertakings.....	54
MCDC Settlement Order with Securities and Exchange Commission	56
Additional Information	56
MISCELLANEOUS	57
OFFICIAL STATEMENT CERTIFICATION.....	58

APPENDICES

Appendix A - State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017 A-1

Appendix B - Forms of Master Indenture, 2018A Supplemental Indenture, 2018A Lease and 2018A Site Lease..... B-1

Appendix C - Form of Continuing Disclosure Undertaking C-1

Appendix D - Form of Bond Counsel Opinion..... D-1

Appendix E - The State General Fund E-1

Appendix F - Selected CDOT Financial InformationF-1

Appendix G - OSPB June 2018 Revenue Forecast..... G-1

Appendix H - Leased Property H-1

Appendix I - Certain State Economic and Demographic InformationI-1

Appendix J - State Pension System..... J-1

Appendix K - DTC Book-Entry System..... K-1

OFFICIAL STATEMENT

\$500,000,000
STATE OF COLORADO
RURAL COLORADO
CERTIFICATES OF PARTICIPATION
SERIES 2018A

INTRODUCTION

General

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of State of Colorado, Rural Colorado, Certificates of Participation, Series 2018A (the “**Series 2018A Certificates**”).

The Series 2018A 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, dated as of September 1, 2018 (the “**Master Indenture**”) as supplemented and amended by a Series 2018A Supplemental Indenture, dated as of September 1, 2018 (the “**2018A Supplemental Indenture**”). (The Master Indenture, as supplemented and amended by the 2018A Supplemental Indenture, and as further supplemented and amended from time-to-time, is referred to as the “**Indenture**”).

The Series 2018A Certificates are currently the only Certificates (as defined below) authorized under State law to be executed and delivered pursuant to the Indenture, but additional Certificates may be executed and delivered thereunder if certain conditions described herein under “INTRODUCTION – Authority for Delivery” occur or separate authorization is provided by the State General Assembly in the future. The Series 2018A Certificates and additional Series of Certificates that may be executed and delivered in the future pursuant to the Indenture (collectively, the “**Certificates**”) will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2018A Lease Purchase Agreement dated as of September 1, 2018 (the “**2018A Lease**”) and other annually renewable lease-purchase agreements that may be entered into in the future between the Trustee, as lessor, and the State of Colorado (the “**State**”), acting by and through the State Treasurer (the “**State Treasurer**”), as lessee. The 2018A Lease and such other annually renewable lease-purchase agreements are collectively referred to as the “**Leases.**” Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached as Appendix B to the form of the Master Indenture attached as **Appendix B** hereto.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. Each prospective investor should read this Official Statement in its entirety to obtain information essential to making an informed investment decision and should give particular attention to the section entitled “CERTAIN RISK FACTORS.” The offering of Series 2018A Certificates to potential investors is made only by means of the entire Official Statement.

September 2018 Revenue Forecast to be Released After Pricing

Included in this Official Statement are references to information contained in the June 2018 Revenue Forecast of the Colorado Office of State Planning and Budgeting's ("OSP") Economic and Fiscal Review. Additionally, appended to this Official Statement as **Appendix G** is the OSP's June 2018 Revenue Forecast. OSP's September 2018 Revenue Forecast, as well as the Economic and Fiscal Review, was released on September 20, 2018, the date the Series 2018A Certificates were priced, but prior to the date of delivery of such Certificates. A copy of the September 2018 Economic and Fiscal Review and the Revenue Forecast is currently available on the OSP's website (www.colorado.gov/governor/office-state-planning-budgeting). No other content on such website is to be incorporated into this Official Statement.

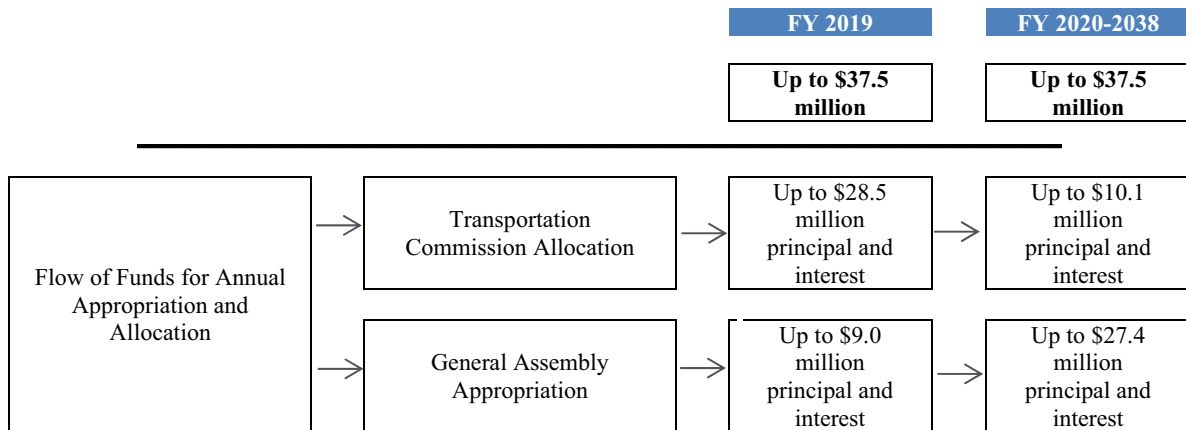
Authority for Delivery

The Series 2018A Certificates are being executed and delivered under authority granted by the constitution and laws of the State, and particularly Senate Bill 17-267 ("**SB 17-267**") and Senate Bill 18-001 ("**SB 18-001**") codified in part by Colorado Revised Statutes Section 24-82-1301, *et seq.*, as amended (the "**Act**"), and the Supplemental Public Securities Act (Title 11, Article 57, Part 2, Colorado Revised Statutes). **Some provisions of the Act may be repealed or modified under certain circumstances as described below.**

SB 17-267

SB 17-267 authorizes, among other things, the creation of lease-purchase agreements on existing State facilities for the purpose of funding state highway and transit projects ("**State Highway and Transit Projects**") and other State capital construction projects ("**State Capital Construction Projects**"), including controlled maintenance and upkeep of State capital assets. SB 17-267 required the State Architect, in consultation with the Office of State Planning and Budgeting and higher education institutions, to prepare a list by December 31, 2017 of State facilities that may be collateralized as part of the lease-purchase agreements with a total current replacement value of at least \$2.0 billion. Between Fiscal Years 2018-19 and 2021-22, the State Treasurer is authorized to execute lease purchase agreements on these facilities in amounts up to \$500 million annually. The State's obligation for lease payments may not exceed \$150 million annually, but as described below under "Potential Repeal or Modification of Certain Provisions of SB 17-267," the Series 2018A Certificates have been structured to comply with a more restrictive annual lease payment requirement of \$37.5 million pursuant to SB 18-001. Proceeds from the lease-purchase agreements executed in Fiscal Year 2018-19 totaling \$120 million are to be applied to State Capital Construction Projects and the remaining proceeds are to be credited to the State of Colorado Highway Fund (the "**State Highway Fund**") for State Highway and Transit Projects. Pursuant to the 2018A Lease, payments up to \$28.5 million under any lease-purchase agreement funding State Highway and Transit Projects in Fiscal Year 2018-19 and (a) \$10.1 million annually thereafter must be made subject to annual allocation by the State of Colorado Transportation Commission (the "**Transportation Commission**") on behalf of CDOT from any legally available money in the State Highway Fund, and (b) up to \$18.4 million annually thereafter must be made subject to annual appropriation by the State of Colorado General Assembly (the "**General Assembly**") from the General Fund or any other legally available source of money. Payments up to \$9 million annually under any lease-purchase agreement funding State Capital Construction Projects must be made subject to annual appropriation by the General Assembly from the General Fund or any other legally available source of money. The diagram on the following page shows the applicable sources of annual appropriation and annual allocation to pay the State's obligations under the 2018A Lease and the annual limits applicable to such sources by fiscal year.

Flow of Funds Pursuant to 2018A Lease



Potential Repeal or Modification of Certain Provisions of SB 17-267

SB 18-001 has provisions amending SB 17-267 but the effective date of such provisions will take place only if either (a) a citizen-initiated ballot issue that authorizes the State to issue transportation revenue anticipation notes but does not authorize the State to collect additional tax revenues for the purpose of providing a revenue source for repayment of the notes is approved by the registered electors of the State at the November 2018 general election, or (b) a ballot issue that authorizes the State to issue transportation revenue anticipation notes with revenue sources identified in SB 18-001 is approved by the registered electors of the State at the November 2019 statewide election. If the provisions of SB 18-001 amending SB 17-267 become effective, the State would no longer be authorized under SB 17-267 to execute lease-purchase agreements for State Highway and Transit Projects and State Capital Construction Projects in Fiscal Year 2019-20 through Fiscal Year 2021-22 and the State’s obligation for lease payments may not exceed \$37.5 million annually. The Series 2018A Certificates have been structured to comply with the more restrictive requirements of SB 18-001 since it is possible that such provisions may become applicable after the execution and delivery of such Certificates.

See, “CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2018A Certificates May be Suspended or Terminated” and “LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267.”

The General Fund and State Highway Fund

The Series 2018A Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly and amounts allocated by the Transportation Commission to make payments under the Leases, as described in “Sources of Payment for the Series 2018A Certificates” under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from any moneys that the Colorado General Assembly transfers from the State General Fund and any other legally available sources and any moneys that the Transportation Commission allocates from the State Highway Fund and any other legally available sources.

Investors should closely review the financial and other information included in this Official Statement regarding the State, the State General Fund, CDOT and State Highway Fund to evaluate any risks of nonappropriation by the Colorado General Assembly or nonallocation by the Transportation Commission. See “STATE FINANCIAL INFORMATION,” “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION” and Appendices A, E, F, G, I and J hereto.

Purposes of the Series 2018A Certificates

Proceeds from the sale of the Series 2018A Certificates will be used to finance the costs of the Series 2018A Projects, as more fully described under this caption and “PLAN OF FINANCING – The Series 2018A Projects.” Proceeds of the Series 2018A Certificates will also be used to pay the costs of issuance associated with the Series 2018A Certificates. See “PLAN OF FINANCING – Sources and Uses of Funds” for a description of the estimated uses of proceeds of the Series 2018A Certificates.

The Series 2018A Projects

The Series 2018A Projects involve various capital projects described herein under “PLAN OF FINANCING – The Series 2018A Projects.” Other projects may be funded with proceeds of additional Series of Certificates that may be executed and delivered under the Master Indenture relating to a separate Lease or an amendment to the 2018A Lease. However, such additional Series of Certificates will require certain conditions described herein under “INTRODUCTION – Authority for Delivery” to occur or further authorization by the Colorado General Assembly.

The Leased Property

The State is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2018A Certificates (the “**2018A Site Lease**”) pursuant to which certain land owned by the State and the buildings, structures and improvements now or hereafter located on such land (collectively, the “**2018A 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 2018A Leased Property and additional Leases or amendments to the 2018A Lease are referred to herein as the “**Leased Property**.” The 2018A Leased Property is being leased back by the Trustee to the State, pursuant to the 2018A Lease. Any additional Leased Property which the State may choose in the future to lease under the additional Leases or amendments to the 2018A Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2018A Certificates on a parity basis. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in “SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property.” Upon any decision of the State not to appropriate or decision of the Transportation Commission not to allocate funds to pay Base Rent, the State would relinquish its right to use all of the Leased Property (including the 2018A Leased Property) or any portion thereof through the term of the respective Site Leases. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property.”

Terms of the Series 2018A Certificates

Payments

Principal of and premium, if any, on the Series 2018A Certificates is payable when due upon surrender of the Series 2018A Certificates at the office of the Trustee. Interest on each Series 2018A 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 2018A Certificates are deliverable in the authorized denomination of \$5,000 and integral multiples thereof.

Redemption

The Series 2018A Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under “THE SERIES 2018A CERTIFICATES – Redemption.”

Additional Certificates

The Master Indenture permits the execution and delivery of one or more Series of Certificates in addition to the Series 2018A Certificates secured by the Trust Estate on parity with the Series 2018A Certificates without notice to or approval of the owners of the Outstanding Series 2018A 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 2018A CERTIFICATES – Additional Series of Certificates.” If any additional Certificates are executed and delivered, the 2018A Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates.

For a more complete description of the Series 2018A Certificates, the Indenture pursuant to which such Series 2018A Certificates are being executed and delivered, see “Forms of Master Indenture, 2018A Supplemental Indenture, 2018A Lease and 2018A Site Lease” attached hereto in **Appendix B**.

Sources of Payment for the Series 2018A Certificates

The Series 2018A Certificates are payable solely from Base Rent annually appropriated by the State General Assembly or annually allocated by the Transportation Commission, other Lease Revenues received by the Trustee pursuant to the 2018A Lease and other moneys in the Trust Estate in accordance with the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT.” The 2018A Lease provides that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term shall, subject only to the other terms of the 2018A Lease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State’s obligation to pay Rent during the Lease Term.

The 2018A Lease and future Leases will provide that an Event of Nonappropriation shall be deemed to have occurred, subject to the State’s right to cure described below, on June 30 of any Fiscal Year if the Colorado General Assembly and the Transportation Commission have, on such date, failed, for any reason, to appropriate and allocate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year. Notwithstanding the description of an Event of Nonappropriation in the preceding sentence, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly and the Transportation Commission have appropriated,

allocated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation as described in the preceding sentence and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or authorization.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in the 2018A Lease, including the sale or lease of the Trustee's interest in the Leased Property. The net proceeds from the exercise of such remedies are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2018A Certificates as described in the form of Master Indenture attached hereto in **Appendix B**. There can be no assurance that such proceeds will be sufficient to pay all of the principal due on the Series 2018A 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 2018A CERTIFICATES – State's Purchase Option Price." The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

Payment of Rent and all other payments under the 2018A Lease shall constitute currently appropriated expenditures of the General Assembly or currently allocated expenditures of the Transportation Commission and may be paid solely from legally available moneys in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2018A Lease are subject to both appropriation by the General Assembly in its sole discretion and annual allocation by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State or CDOT within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State or CDOT within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

Certain Risks to Owners of the Series 2018A Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the 2018A Lease, the value of the Leased Property and the market price of the Series 2018A 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 2018A Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2018A 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 2018 by Development Research Partners for use by the State. See **Appendix I** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

Other Information

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

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the Underwriters at Wells Fargo Securities, as Representative of the Underwriters, 1700 Lincoln Street, 21st Floor, Denver, Colorado 80203, Attention: Ryan Poulsen, telephone number: (303) 863-6008.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Series 2018A Certificates.

PLAN OF FINANCING

The Program

The Series 2018A Certificates are being delivered pursuant to the Indenture and under authority granted by the Act. The Act authorizes the State Treasurer to enter into Leases for Projects approved by the State, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under all Leases is less than \$37.5 million. See “INTRODUCTION – Authority for Delivery” and “BASE RENT” herein.

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 2018A 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 2018A Certificates. The execution and delivery by the State of future leases or an amendment to the 2018A Lease for additional Projects, would require certain conditions described herein under “INTRODUCTION – Authority for Delivery” to occur or additional authorization from the General Assembly.

Sources and Uses of Funds

The sources and uses of funds relating to the Series 2018A Certificates are set forth in the following table.

	Series 2018A Certificates
SOURCES OF FUNDS:	
Par amount.....	\$500,000,000
Net original issue premium.....	46,842,520
	<hr/>
TOTAL SOURCES OF FUNDS	\$546,842,520
USES OF FUNDS	
Deposit to Series 2018A Project Account	\$544,154,455
For costs of issuance, including Underwriters' discount ¹	2,688,065
	<hr/>
TOTAL USES OF FUNDS.....	\$546,842,520

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

The Series 2018A Projects

The Act was designed to fund necessary high-priority rural State highway and transit projects and rural State capital construction projects, including projects at State institutions of higher education that have been delayed due to insufficient funding. Further, the Act was designed to address delayed critical controlled maintenance and upkeep of State capital assets. Accordingly, both the State and CDOT have carefully inventoried and prioritized such capital needs in order to determine which projects will be funded with the proceeds of the Series 2018A Certificates.

THE SERIES 2018A CERTIFICATES

Generally

General information describing the Series 2018A Certificates appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by the forms of the Master Indenture, the 2018A Supplemental Indenture, the 2018A Lease and the 2018A Site Lease all as attached hereto in **Appendix B** hereto.

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

Book-Entry System

The Series 2018A Certificates will be in fully registered form (i.e., registered as to payment of both principal and interest) and will be registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2018A Certificates. Beneficial Ownership Interests in the Series 2018A Certificates, in non-certificated book-entry only form, may be purchased in authorized denominations of \$5,000 or any integral multiple thereof by or through DTC Participants. Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Certificates mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners. For a more detailed description of the DTC book-entry system, see “APPENDIX K – DTC BOOK-ENTRY SYSTEM.”

Principal and interest payments with respect to the Series 2018A Certificates will be payable by the Trustee, as paying agent for the Series 2018A Certificates, to Cede & Co., as the Owner of the Series 2018A Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in “APPENDIX K – DTC BOOK-ENTRY SYSTEM.”

None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Series 2018A Certificates under the Indenture, (3) the payment by DTC or any DTC Participant of any amount received under the Indenture with respect to the Series 2018A Certificates, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2018A Certificates or (5) any other related matter.

Redemption

Optional Redemption

The Series 2018A Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same rates designated by the State and by lot within any remaining maturity bearing interest at the same rate designated for redemption, on any date on and after December 15, 2028, at a redemption price equal to the principal amount of the Series 2018A Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

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

The Series 2018A 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 the 2018A Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2018A 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 2018A Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under the 2018A 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 2018A Certificates and all other outstanding Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the 2018A

Lease, which amounts shall be allocated among the Series 2018A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the 2018A Lease in proportion to the principal amount of each such Certificate. The payment of such redemption price of any Certificate pursuant to the related supplemental indenture shall be deemed to be the payment in full of such Certificate, and no Owner of any Certificate redeemed pursuant to this redemption provision shall have any right to any payment from the Trustee or the State in excess of such redemption price.

In addition to any other notice required to be given under the Indenture, the Trustee shall, promptly upon the occurrence of an Event of Nonappropriation or Event of Default under the 2018A Lease, notify the Owners of the Certificates that are subject to redemption upon the occurrence and continuation of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price thereof. If the funds then available to the Trustee are sufficient to pay the redemption price, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price of the Certificates, the Trustee shall (a) promptly pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases, (b) subject to the applicable provisions of the Indenture, promptly begin to exercise and diligently pursue all remedies available to it under the 2018A Lease in connection with such Event of Nonappropriation or Event of Default and (c) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

Notice of Redemption

Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee 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 2018A Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2018A Certificates so redeemed, the amounts due on the Series 2018A Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2018A Certificates.

BASE RENT

The following table sets forth the State's Base Rent obligations after execution and delivery of the Series 2018A Certificates (assuming that the State chooses not to terminate the Leases during the Lease Term, which it has an annual option to do).

Fiscal Year (ended June 30)	Base Rent Series 2018A Certificates		Total Fiscal Year Net Base Rent
	Principal Component ¹	Interest Component ¹	
2019	\$21,650,000.00	\$15,845,220.70	\$37,495,220.70
2020	15,875,000.00	21,624,925.00	37,499,925.00
2021	16,480,000.00	21,017,512.50	37,497,512.50
2022	17,240,000.00	20,256,912.50	37,496,912.50
2023	18,125,000.00	19,372,787.50	37,497,787.50
2024	19,055,000.00	18,443,287.50	37,498,287.50
2025	20,030,000.00	17,466,162.50	37,496,162.50
2026	21,060,000.00	16,438,912.50	37,498,912.50
2027	22,140,000.00	15,358,912.50	37,498,912.50
2028	23,275,000.00	14,223,537.50	37,498,537.50
2029	24,465,000.00	13,030,037.50	37,495,037.50
2030	25,720,000.00	11,775,412.50	37,495,412.50
2031	27,040,000.00	10,458,412.50	37,498,412.50
2032	28,425,000.00	9,073,787.50	37,498,787.50
2033	29,880,000.00	7,619,006.25	37,499,006.25
2034	31,245,000.00	6,249,950.00	37,494,950.00
2035	32,505,000.00	4,994,950.00	37,499,950.00
2036	33,840,000.00	3,658,300.00	37,498,300.00
2037	35,235,000.00	2,260,175.00	37,495,175.00
2038	36,715,000.00	784,300.00	37,499,300.00
Total	\$500,000,000.00	\$249,952,501.95	\$749,952,501.95

¹ There will be credited against the amount of Base Rent otherwise payable under the related Lease the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates.

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2018A Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the 2018A Lease, including: (i) the Base Rent; (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iii) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (iv) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the 2018A Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory obligation or requirement in any year beyond the State's then current fiscal year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the 2018A Lease are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing the 2018A Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship office, or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

As more fully described under the captions "CERTAIN RISK FACTORS" and in the form of the 2018A Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2018A Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the State Highway Fund or General Fund. There is no obligation of either the Transportation Commission to allocate State Highway Fund revenues or the State to appropriate General Fund revenues for purposes of paying Base Rent or Additional Rent under the 2018A Lease. See "STATE FINANCIAL INFORMATION," "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION" and **Appendices A, E, F, G, I and J** hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS UNDER THE 2018A LEASE CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE OR CURRENTLY ALLOCATED EXPENDITURES OF THE TRANSPORTATION COMMISSION AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE STATE HIGHWAY FUND OR THE GENERAL FUND. THE OBLIGATIONS TO PAY RENT AND ALL OTHER OBLIGATIONS UNDER THE 2018A LEASE ARE SUBJECT TO BOTH ANNUAL APPROPRIATION BY THE GENERAL ASSEMBLY IN ITS SOLE DISCRETION AND ANNUAL ALLOCATION BY THE TRANSPORTATION COMMISSION IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE OR CDOT WITHIN THE MEANING OF ANY PROVISION OF THE STATE CONSTITUTION OR THE LAWS OF THE STATE CONCERNING OR LIMITING THE CREATION OF INDEBTEDNESS OF THE STATE AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE OR CDOT WITHIN THE MEANING OF SECTION 3 OF ARTICLE XI OR SECTION 20(4) OF ARTICLE X OF THE STATE CONSTITUTION OR ANY OTHER LIMITATION OR PROVISION OF THE STATE CONSTITUTION, STATE STATUTES OR OTHER STATE LAW. IN THE EVENT THE

STATE DOES NOT RENEW ANY LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASES, SHALL BE THE LEASED PROPERTY LEASED UNDER THE LEASES, SUBJECT TO THE TERMS OF THE LEASES. THE STATE'S OBLIGATIONS UNDER THE LEASES SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE LEASES UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS – OPTION TO RENEW THE LEASES ANNUALLY."

Both the State and the Transportation Commission have already appropriated or allocated sufficient funds from the General Fund and State Highway Fund to pay (i) the Base Rent payable in Fiscal Year 2018-19, and (ii) the Additional Rent estimated to be payable in such Fiscal Year to the extent the State does not expect to pay such amount from the State Expense Fund.

Lease Term

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

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the Master Indenture, the 2018A Supplemental Indenture, the 2018A Lease and the 2018A Site Lease.

Nonrenewal of the Lease Term

The State is not permitted to renew the Leases or any of them 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 2018A Leased Property). However, the Indenture and the 2018A Lease permit the State to purchase the 2018A Leased Property in connection with the defeasance of all of the Series 2018A Certificates, as described in "THE SERIES 2018A CERTIFICATES – State's Purchase Option Price."

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the related Leased Property, the State is required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2018A Certificates) and may exercise any other remedies available upon default as provided in the Leases, including the sale of or lease of the Trustee's interest under the Site Leases. See "CERTAIN RISK FACTORS."

The Leases place certain limitations on the availability of money damages against the State as a remedy in an Event of Default or an Event of Nonappropriation. For example, such Leases 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."

The Leased Property

Generally

Pursuant to the Act, the Colorado State Architect, the Director of the OSPB and designated State institutions of higher education were directed to identify and prepare a collaborative list of eligible State facilities that could be collateralized as part of the Leases for capital construction and transportation projects. The 2018A Leased Property has been selected from such list and consists of 20 facilities primarily related to certain correctional and public safety functions of the State. The 2018A Leased Property has a current replacement value of \$458,121,157. Prior to the issuance of the Series 2018A Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the 2018A Leased Property is at least equal to 90% of the principal amount of the Series 2018A Certificates. See "THE SERIES 2018A CERTIFICATES – Additional Series of Certificates." See **Appendix H** – "LEASED PROPERTY" for a description of the 2018A Leased Property subject to the 2018A Site Lease between the Trustee and the State.

As described above, the State is not permitted to renew any Lease (including the 2018A Lease) with respect to less than all of the Leased Property (including the 2018A 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 2018A Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2018A CERTIFICATES – State's Purchase Option Price." The State may make substitutions, of Leased Property in accordance with the terms of the related Leases as described in "Substitution of Leased Property" under this caption. Owners of the Series 2018A Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates plus accrued interest thereon. See "CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease" for a description of some of the factors that may impact the value of the Leased Property.

State's Purchase Option

The State has been granted in the 2018A Lease and will be granted in each additional 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.

Substitution of Leased Property

The State is permitted under each Lease to substitute other property for certain Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Fair Market Value of the Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to 90% of the principal amount of all Outstanding Certificates and the Trustee receives adequate title insurance documentation, a certificate as to the useful life and essentiality of the substituted property and an opinion of Bond Counsel that such substitution will not cause the State to violate its tax covenant set forth in Section 8.04 of the 2018A Lease.

Insurance

The Leased Property is required to be insured by the State as described in “CERTAIN RISK FACTORS – Insurance of the Leased Property,” and the insurance proceeds are required to be applied by the Trustee as described in the form of the Lease “- Damage, Destruction and Condemnation,” in **Appendix B**.

Additional Series of Certificates

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

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

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

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

(iv) The State has certified to the Trustee that: (a) the Fair Market Value of all Leased Property including that Leased Property added pursuant to a new Supplemental Indenture is at least equal to 90% of the principal amount of all Outstanding Certificates, including the Certificates to be issued pursuant to the Supplemental Indenture; and (b) no Event of Default or Event of Nonappropriation exists under any Lease.

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

(vi) The Trustee has received a written opinion of Bond Counsel to the effect that (a) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act, the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event; and (b) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform nor cause any violation of the covenants set forth in the Indenture.

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

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2018A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2018A 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 2018A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2018A 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 2018A Lease does not constitute an obligation of the State or CDOT to apply their respective general resources beyond the current fiscal year. The State is not obligated to pay Base Rent or Additional Rent under the Leases unless each year funds are appropriated by the Colorado General Assembly and allocated by the Transportation Commission, notwithstanding the fact that sufficient funds may or may not be available for transfer from any other source. If, on or before June 30 of each Fiscal Year, the Colorado General Assembly and the Transportation Commission do not specifically appropriate or allocate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an “Event of Nonappropriation” will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the 2018A Lease, the Lease Term of the Leases will be terminated. Notwithstanding the foregoing, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly and the Transportation Commission have appropriated, allocated or otherwise authorized the expenditure of amounts sufficient to avoid an Event of Nonappropriation; and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation, allocation or authorization. See the form of 2018A 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) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation or allocation of funds may be affected by the continuing need of the State for the Leased Property (including the 2018A Leased Property). In addition, the ability of the State and CDOT to maintain adequate revenues for their respective operations and obligations in general (including obligations associated with the 2018A Lease) is dependent upon several factors outside the State’s or CDOT’s control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State’s and CDOT’s revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State and CDOT to appropriate or allocate sufficient funds to pay Base Rent and Additional Rent each year. See “SECURITY AND SOURCES OF PAYMENT,” “STATE FINANCIAL INFORMATION,” “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION” and **Appendices A, E, F, G, I and J** hereto.

Payment of the principal of and interest, if any, on the Series 2018A 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 2018A Lease and 2018B Lease) would mean the loss of the use of all of the Leased Property by the State. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property.”

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

Effect of a Nonrenewal of a Lease

General

In the event of nonrenewal of the State's obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, the State is required to vacate the Leased Property under the Leases. The Trustee may proceed to lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in such Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other 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 2018A Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2018A 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 2018A Certificate) will have any further claims for payment upon the State, CDOT or the Trustee.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2018A Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The valuation of the Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. **As reflected in the footnotes to Appendix H, environmental site assessments ("ESAs") have been prepared in connection with certain properties included as 2018A Leased Property. Copies of the ESAs are available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.**

Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. Further, a considerable amount of Leased Property is located in

areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

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 2018A Certificates by the State or the Trustee.

Payment of the principal of and interest on the Series 2018A 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 2018A Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of use by the State of all of the Leased Property. Investors should be aware that value of the Leased Property could be affected if there are design or construction defects in any of the buildings subject to a Lease.

Enforceability of Remedies

Under the Leases, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the Leases is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the lessee may be in default under a Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the State. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the Leases and the Indenture or to redeem or pay the Series 2018A Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2018A 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 2018A Lease under certain circumstances as provided in the 2018A Lease upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2018A Certificates, subsequent to such termination. See "TAX MATTERS." If the 2018A 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 2018A Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2018A Lease.

If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2018A Certificates May be Suspended or Terminated

For a description of certain pending litigation with respect to SB 17-267, see “LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Litigation with Respect to SB 17-267.” Notwithstanding such litigation, Greenberg Traurig, LLP will deliver a written legal opinion at the time of issuance of the Series 2018A Certificates (the “**Bond Counsel Opinion**”) that the State’s obligations under the 2018A Lease are valid, binding and enforceable against the State in accordance with its terms. See **Appendix D** – “FORM OF BOND COUNSEL OPINION.” The Bond Counsel Opinion does not explicitly express any opinion with respect to the merits of the TABOR Foundation Case or the potential outcome of the TABOR Foundation Case.

Bond Counsel will also deliver to the State at the time of issuance of the Series 2018A Certificates a written legal opinion (“**Litigation Opinion**”) to the effect that (i) the 2018A Lease is conclusively presumed to be fully authorized, executed and delivered under the Act and the laws of the State and that the Series 2018A Certificates are conclusively presumed to be fully authorized and issued under the Act and the laws of the State and any person (including the State) is estopped from questioning their validity, execution or delivery, and (ii) a finding of unconstitutionality of the Act by a court of competent jurisdiction would not affect the validity of the Series 2018A Certificates, the 2018A Lease and validity of the sources of payment and security for the Series 2018A Certificates, if a court were properly presented with the facts and properly applied current applicable law. Investors should be aware that the neither the Bond Counsel Opinion nor the Litigation Opinion constitutes a guaranty of what a court would hold. It is possible that a court could declare some or all of SB 17-267 to be unconstitutional, which could have a negative effect on the validity of the 2018A Lease and security for the Series 2018A Certificates and could result in the holders of the Series 2018A Certificates not being paid.

The 2018A Lease provides that if any portion of the Act affecting the validity or enforceability of the 2018A Site Lease or the 2018A Lease, or the source of payment for principal of and interest on the Series 2018A Certificates is held by the highest court of competent jurisdiction in an order which has not been stayed, to be unconstitutional or otherwise invalid, the State will use its best efforts to request legislation to be introduced in the General Assembly, which legislation would reauthorize the provisions of the Act which were determined to be unconstitutional or invalid in a manner which would cause the 2018A Site Lease and the 2018A Lease to remain valid and enforceable, and for the principal of and interest on the Series 2018A Certificates to be payable. There can be no assurance that the General Assembly would take action to pass legislation that would cause the 2018A Lease to remain valid, binding and enforceable against the State and the Series 2018A Certificates to be entitled to the sources of payment and security therefor.

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

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

Insurance of the Leased Property

The 2018A Site Lease requires that the State shall pay as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property in an amount equal to the current replacement value of the Leased Property. The 2018A Site Lease also requires that the State shall pay as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the State in connection with the Leased Property subject to the Leases: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 *et seq.* or any successor statute, in an amount not less than the amounts for which the State may be liable to third parties thereunder and (2) for all other activities, in an amount not less than \$1,000,000 per occurrence. The Leases require the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State and to have such required insurance provided under blanket insurance policies or through the State's risk management program. See "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Self-Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or condemnation of the related Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2018A Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2018A CERTIFICATES – Redemption."

State Budgets and Revenue Forecasts

The State Constitution requires that expenditures for any such Fiscal Year not exceed revenues for such Fiscal Year. In addition, Section 24-75-201.1(1)(d), C.R.S., provides that for each Fiscal Year, a portion of the unrestricted General Fund year-end balance is to be retained as a reserve (the "**Unappropriated Reserve**"), and Section 24-75-201.1, C.R.S., provides that General Fund appropriations for each Fiscal Year, with certain exceptions, may not exceed specified amounts, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and other Considerations – Revenues and Unappropriated Amounts – Expenditures; The 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 June 20, 2018 (the "OSPB June 2018 Revenue Forecast") and is included in this Official Statement. See "STATE FINANCIAL INFORMATION" and **Appendix G** – "OSPB JUNE 2018 REVENUE FORECAST." The next OSPB revenue forecast will be released in September 2018. General Fund revenue projections in the new forecast may be materially different from the OSPB June 2018 Revenue Forecast. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for any forecasted years which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See **Appendix E** – "THE STATE GENERAL FUND."

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement.

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

Control of Remedies

Under the Indenture, the Owners of a majority in principal amount of all the Certificates then Outstanding have the right, at any time, to the extent permitted by law, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceedings relating to the Indenture or any Lease or Site Lease; provided that such direction is not otherwise than in accordance with the provisions of the Indenture. See Section 7.06 of the form of Master Indenture attached in **Appendix B** hereto. The interests of Owners of the Series 2018A Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons.

Future Changes in Laws and Future Initiatives

Various Colorado laws, including the Act, apply to availability of funds for appropriation by the State, and other operations of the State. In addition, State law allows voter initiatives meeting certain conditions to be placed on the ballot, which initiatives may involve statutory or constitutional amendments. For example, a voter initiative designated Initiative 108, will appear on the November 2018 general election ballot which, if approved by the State's voters, would make changes to the State Constitution purportedly requiring State and local governments to award just compensation to owners of private property when a government law or regulation reduces the fair market value of property. If approved by the electors, it is not possible to predict how courts would interpret the language in Initiative 108, but it is possible that it could result in significant liabilities to the State as a result of the exercise of its regulatory authority. There is no assurance that other initiatives on the November 2018 general election ballot, future voter initiatives or changes in, interpretation of or additions to the applicable laws, provisions and regulations will not have a material effect, directly or indirectly, on the affairs of the State and its funds.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5.5 million. The State's major economic sectors include agriculture, professional and business services, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 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 chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four-year terms. The current term of such officials commenced in January of 2015 (following the general election held in November of 2014) and will expire on the second Tuesday in January of 2019. 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 investors to analyze the financial and overall status of the State, including the General Fund and State Highway Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See “SECURITY AND SOURCES OF PAYMENT” and “CERTAIN RISK FACTORS.” This section and the following section captioned “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS” have been included to provide prospective purchasers with information relating to such matters. See also **Appendix A** – “STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017,” **Appendix E** – “THE STATE GENERAL FUND,” and **Appendix G** – “OSPB JUNE 2018 REVENUE FORECAST,” **Appendix I** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” and **Appendix J** – “STATE PENSION SYSTEM.” With the exception of the State economic and demographic information, has been provided by Development Research Partners, the information in these sections and appendices has been provided by the State.

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) tasked with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other 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 “Investment and Deposit of State Funds” in this section and **Appendix E** – “THE STATE GENERAL FUND – Investment of the State Pool.” All interest derived from the deposit and investment of State 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 amounts of the TABOR Reserve for Fiscal Years 2017-18 and 2018-19 have been estimated in the OSPB June 2018 Revenue Forecast to be \$408.8 million and \$429.5 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.

Per Senate Bill 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. See also **Appendix E** – “THE STATE GENERAL FUND – General Fund Overview.”

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 Financing¹; (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

¹ The constitutionality of the provisions of SB 17-267 regarding the Hospital Provider Fee is currently being challenged in Denver District Court on the grounds that the fee is in fact a tax and/or a tax policy change and therefore subject to the voting requirements of TABOR. See Note 19 to the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement and “LITIGATION, GOVERNMENTAL IMMUNITY AND SELF- INSURANCE – Current Litigation.” The outcome of this litigation, and its impact on the State’s finances if successful, cannot currently be predicted.

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. TABOR revenues exceeded the TABOR limit by \$2.397 billion in Fiscal Year 2015-16 and \$2.130 billion in Fiscal Year 2016-17, resulting in the State being \$122.1 million below the ESRC in Fiscal Year 2015-16 and \$436.2 million below the ESRC in Fiscal Year 2016-17.

TABOR revenues are forecast in the OSPB June 2018 Revenue Forecast to exceed the TABOR limit by \$2.416 billion in Fiscal Year 2017-18 and \$2.570 billion in Fiscal Year 2018-19, which will result in the State being \$63.1 million below the ESRC in Fiscal Year 2017-18 and \$27.8 million below the ESRC in Fiscal Year 2018-19. TABOR revenues are forecast to exceed the TABOR limit by \$2.712 billion in Fiscal Year 2019-20, which will result in the State being \$10.8 million above the ESRC in Fiscal Year 2019-20. This will trigger a refund in Fiscal Year 2020-21 through the senior homestead and disabled veterans property tax exemption expenditures of approximately \$32.2 million, which includes the excess amount above the ESRC plus approximately \$21.3 million in outstanding refunds and adjustments from prior years as discussed in the section of the OSPB June 2018 Revenue Forecast captioned “TAXPAYER’S BILL OF RIGHTS: REVENUE LIMIT.”

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 senior homestead and disabled veterans property tax exemption programs. 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 \$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. House Bill (“**HB**”) 15-1367, which referred the measure to the State’s voters (Proposition BB), also provides for the allocation of the retained amount for public school capital construction, for various purposes such as law enforcement, youth programs and marijuana education and prevention programs and for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion in “General Fund and State Education Fund Budget” in the OSPB June 2018 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. 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 State fund are required to be credited and paid into the General Fund. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes. See **Appendix E** – “THE STATE GENERAL FUND” and **Appendix G** – “OSPB JUNE 2018 REVENUE FORECAST.”

Budget Process and Other Considerations

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

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

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor’s vetoes are subject to override by a two-thirds majority of each house of the General Assembly.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental appropriations. Any

supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

Revenues and Unappropriated Amounts. For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve (as previously defined, the “**Unappropriated Reserve**”), which may be used for possible deficiencies in General Fund revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation, unless they are obligated by statute for another purpose. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Set forth in the following table are the Unappropriated Reserve requirements for Fiscal Years 2011-12 and thereafter. See also **Appendix E** – “THE STATE GENERAL FUND – General Fund Overview.”

**State of Colorado
Unappropriated Reserve Requirement**

<u>Fiscal Years</u>	<u>Unappropriated Reserve Requirement^{1,2}</u>
2011-12	4.0 %
2012-13 and 2013-14	5.0
2014-15	6.5
2015-16	5.6
2016-17	6.0
2017-18	6.5
2018-19 and thereafter ³	7.25

¹ The Unappropriated Reserve requirement, which is codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. Per HB 16-1419 and SB 16-218, for Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required to be diverted to a reserve fund to fund severance tax refunds resulting from the ruling of the Colorado Supreme Court on April 25, 2016, in *BP America Production Company v. Colorado Department of Revenue*. See “General Fund Overview” table in **Appendix E** – “THE STATE GENERAL FUND – General Fund Overview,” and the section of the OSPB June 2018 Revenue Forecast captioned “CASH FUND REVENUE FORECAST – Severance Tax Revenue.”

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

³ Per SB 17-276, the Unappropriated Reserve requirement was increased to 7.25% starting with Fiscal Year 2018-19. The legislation also removed the exemption of General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation from the reserve calculation requirement.

The OSPB June 2018 Revenue Forecast indicates that the State ended Fiscal Year 2016-17 with reserves of \$30.2 million above the Unappropriated Reserve requirement for such Fiscal Year set forth in the foregoing table and will end Fiscal Years 2017-18 and 2018-19 with reserves of \$536.7 million and \$130.6 million, respectively, above the Unappropriated Reserve requirements for such Fiscal Years set forth in the foregoing table. These figures are based on revenue and budget information available when the OSPB June 2018 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 G** – “OSPB JUNE 2018 REVENUE FORECAST.”

Expenditures; The Balanced Budget and Statutory Spending Limitation. The State Constitution mandates that expenditures for any Fiscal Year may not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years 2009-10 and thereafter, total General Fund

appropriations are limited to: (i) such 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 be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

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

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

Fiscal Controls and Financial Reporting

No 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. The State Controller or his delegate have statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation, whether the appropriation contains sufficient funds to pay the expenditure and whether the prices are fair and reasonable. All payments from the State Treasury are made by warrants or checks signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant or check is full authority for the State Treasurer to pay the warrant or check upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares a Comprehensive Annual Financial Report, or “CAFR,” in accordance with generally accepted accounting principles (“GAAP”) applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State’s CAFR for Fiscal Year 2016-17 CAFR (the “**Fiscal Year 2016-17 CAFR**”) is appended to this Official Statement and includes the most current annual financial statements for the State.

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 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 1F to the financial statements in the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The cash flow schedules include all financial activity reported specifically in the General Purpose Revenue Fund on a cash basis, while the fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, fees for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special cash receipts that are related to fees, permits and other fees rather than to the general taxing power of the State. See also **Appendix E** – “THE STATE GENERAL FUND – General” for a discussion of the distinction between the statutory General Fund and the GAAP General Fund.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the “**Auditor**”) through the Auditor’s staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2021. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The Office of the State Auditor, being the State’s independent auditor, has not been engaged to perform and has not performed since the date of the State Auditor’s report included herein, any procedures on the financial statements presented in the Fiscal Year 2016-17 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., as well as other State statutes, to invest State funds in certain public and non-public fixed income securities. In making such investments, the State Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each fund or pool of funds in the State Treasurer’s custody available for investment. In accordance with this

directive, the State Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each State fund.

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

See also Notes 3 and 4 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement and **Appendix E** – “THE STATE GENERAL FUND – Investment of the State Pool.”

The State General Fund

The General Fund is the principal operating fund of the State. All revenues and 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 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. See **Appendix E** – “THE STATE GENERAL FUND” for a discussion of the General Fund.

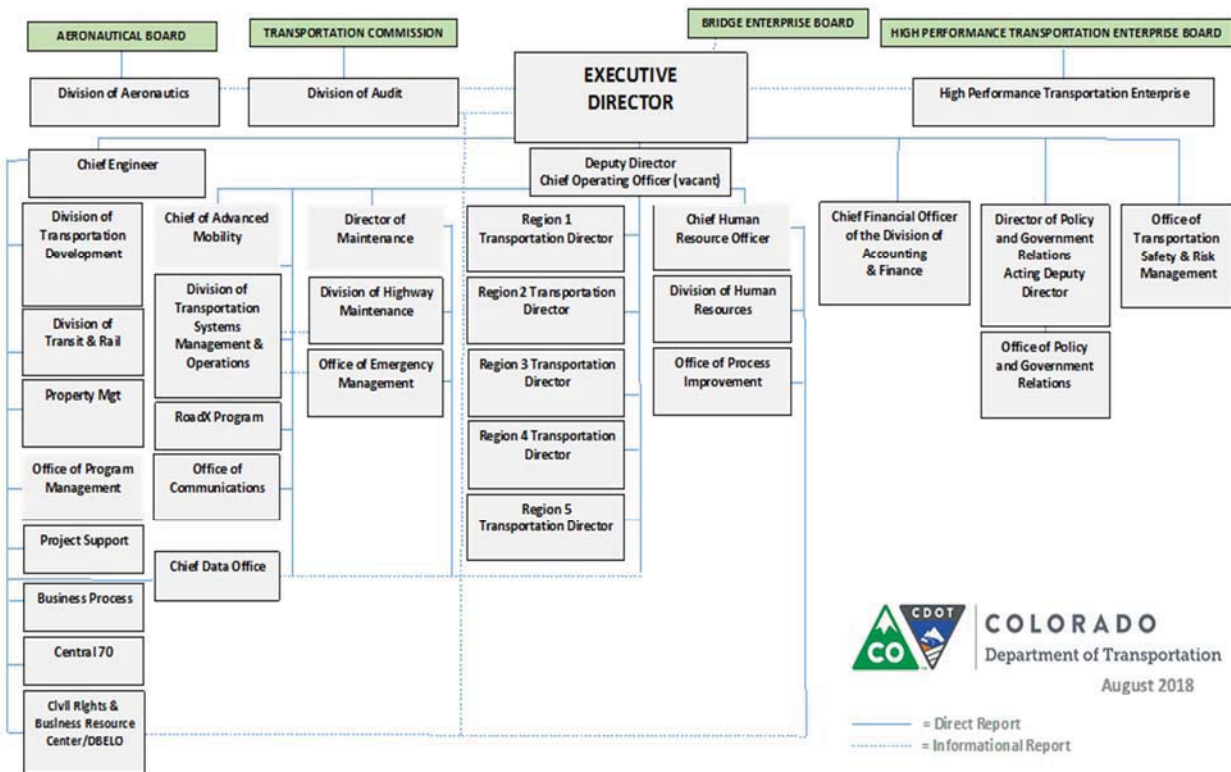
THE COLORADO DEPARTMENT OF TRANSPORTATION

General

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

Organization of Department

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



The Transportation Commission

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

capital construction fund. The budgetary process for CDOT is described under “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – Appropriations and Budgetary Process.”

Current Operations

General. The State highway system covers 23,000 lane miles and each year handles over 52.7 billion vehicle miles of travel. CDOT oversees surface treatment, other construction, maintenance, and operations with respect to the State highway system, as well as operating certain miscellaneous and local programs. The surface treatment program is designed to reduce deterioration of and preserve and maintain the surface condition of the State highway system, based on surface condition objectives established by the Transportation Commission. Other construction programs include CDOT’s repair or replacement of structurally deficient bridges on the State highway system, miscellaneous safety construction and enhancements, and construction to address regional priorities. CDOT’s highway maintenance program, consisting of regular maintenance and snow and ice removal activities, covers eight regions within the State and includes an additional maintenance unit to service the Eisenhower/Johnson Memorial Tunnel on I-70 and a Traffic and Safety Engineering section that is responsible for signals, signing, and striping in the Denver metropolitan area. Nearly two-thirds of CDOT’s staff is dedicated to highway maintenance, and CDOT’s maintenance and asset management program budget for Fiscal Year 2018-19 totals \$792.2 million, with approximately \$82.6 million allocated to snow and ice removal. CDOT’s operations program covers CDOT’s administration, as well as engineering costs not attributable to construction projects. Miscellaneous programs include the activities of CDOT’s Aeronautics Division as well as safety education programs. CDOT’s Intelligent Transportation Systems Program is designed to provide drivers real-time information from the CDOT Traffic Operations Center on road and weather conditions, closures, detours, and delays. CDOT also oversees certain transit-related and local programs. For Fiscal Year 2017-18, CDOT’s total budget covering all its programs was \$1.554 billion. For Fiscal Year 2018-19, CDOT’s total budget covering all its programs is \$2.172 billion.

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

directly to Colorado Bridge Enterprise. The Bridge Safety Surcharge is not available for other uses (including the payment of any Base Rentals, Additional Rentals or the Option Purchase Price).

Transportation Plans

CDOT develops a long-range Statewide Transportation Plan (“SWP”) that provides guidance for the investment of Colorado’s multi-modal transportation system that balances: preservation and maintenance, and incorporation of risk-based asset management; efficient system operations and management practices; capacity improvements; and incorporation of safety in all areas. The current SWP sets forth multi-modal transportation needs to 2025 and 2040. The SWP outlines the State’s transportation needs from both an unconstrained vision (if the State had unlimited money) and a fiscally constrained perspective (based on the revenues CDOT actually expects to have available). In addition to the SWP, CDOT maintains a Statewide Transportation Improvement Program (the “STIP”); a four-year program of transportation related projects including all highway and transit projects for the State containing federal and/or State funding. The STIP is a compilation of projects utilizing various federal and state funding programs; and includes projects on the State highway system, the city and county street and road systems, as well as projects in the National Parks, National Forests, and Indian Reservations. The STIP is a fully financially constrained plan. All entries in the STIP must be consistent with the financially constrained portion of the SWP. These two documents work hand-in-hand to provide to Colorado’s citizenry a public record of current and future transportation projects and their anticipated costs.

COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION

General

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

State Highway Fund (CDOT Operating Fund)

General. Except to the extent payable from the proceeds of the Certificates (including the Series 2018A Certificates) and income from the investment thereof, from the Net Proceeds of certain insurance policies, from the Net Proceeds of leasing of or a liquidation of the Trustee’s interest in the portion of the Leased Property included in the Trust Estate (see “THE LEASED PROPERTY”) or from other amounts made available under the Indenture, the Certificates (including the Series 2018A Certificates) and the interest thereon are payable solely from Revenues, consisting principally of the Base Rentals and the Purchase Option Price, if paid. Base Rental payments may be made solely from amounts annually allocated therefor by the Transportation Commission from the State Highway Fund and amounts annually appropriated by the General Assembly from the General Fund.

State Highway Fund. The State Highway Fund, established pursuant to Section 43-1-219, Colorado Revised Statutes, is the primary operating fund used by CDOT to manage State transportation projects. The State Highway Fund receives revenue from the Highway Users Tax Fund (the “HUTF”), various other revenue and fees, federal funds, and the General Fund of the State. Only certain moneys on deposit in the State Highway Fund will be available to pay Base Rentals (mainly certain amounts

transferred from the HUTF). In Fiscal Years 2016-17 and 2017-18, approximately 29.1% (or \$450.1 million) and 32.7% (or \$459.4 million), respectively, of the deposits to the State Highway Fund consisted of revenues from the HUTF that would have been available to pay Base Rentals. In Fiscal Year 2018-19, CDOT expects that approximately 22.6% (or \$452.3 million) of the deposits to the State Highway Fund will consist of revenues from the HUTF that would have been available to pay Base Rentals. As described below under “Appropriations and Budgetary Process-The Budget Process” over 97% of CDOT’s budget is automatically appropriated each Fiscal Year pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. The Base Rentals are part of the budget that is subject to continuing appropriation. In addition to the Base Rentals, budgeting for operations, construction, and maintenance activities are part of the budget that is subject to continuing appropriation. The other major source of revenue to the State Highway Fund is federal grants and contracts, which are not available to pay the Base Rentals.

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

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

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

State Motor Fuel Tax Rates

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

As described below, motor fuel tax revenues in the HUTF are subject to distribution to CDOT, other State entities, and counties and cities in the State based on various legislative formulas. State motor fuel taxes generated \$710.1 million (62.3%) of the total HUTF revenues in Fiscal Year 2016-17 and \$612.0 million (58.3%) of the total HUTF revenues in Fiscal Year 2017-18, and are expected to generate \$618.0 million (57.6%) of the total HUTF revenues in Fiscal Year 2018-19. The State’s motor fuel tax

generated \$315.1 million (18.4%) of total CDOT revenues in Fiscal Year 2016-17 and \$321.6 million (20.7%) of total CDOT revenues in Fiscal Year 2017-18, and is expected to generate \$320.1 million (17.8%) of total CDOT revenues in Fiscal Year 2018-19.

The remaining portion of HUTF revenues are comprised of

- (i) motor vehicle registration and other fees, which together generated \$250.5 million (22.0%) of the total HUTF revenues and \$135.0 million (7.9%) of total CDOT revenues in Fiscal Year 2016-17, \$251.8 million (24.0%) of the total HUTF revenues and \$137.8 million (8.9%) of total CDOT revenues in Fiscal Year 2017-18, and which are expected to generate \$260.1 million (24.2%) of the total HUTF revenues and \$137.2 million (6.3%) of total CDOT revenues in Fiscal Year 2018-19; and
- (ii) FASTER Revenues, which generated \$111.3 million (6.5%) of total CDOT revenues in Fiscal Year 2016-17 and \$114.8 million (7.2%) of total CDOT revenues in Fiscal Year 2017-18, and are expected to generate \$117.4 million (5.4%) of total CDOT revenues in Fiscal Year 2018-19. *FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price.* CDOT utilizes the FASTER Revenues for various purposes (including the funding of infrastructure and transit improvements).

HUTF revenues are distributed to CDOT and other State and local entities according to various legislative formulas. Prior to making any distributions from the HUTF to CDOT, counties and municipalities, the General Assembly funds the State Patrol and portions of the Department of Revenue's Motor Vehicles Division through annual appropriations from HUTF. These "off-the-top" deductions amounted to \$138.5 million (12.8%) of the total HUTF in Fiscal Year 2016-17, and \$126.5 million (12.8%) of the total HUTF in Fiscal Year 2017-18, and are expected to be \$127.1 million (12.6%) of the total HUTF in Fiscal Year 2018-19. By statute, the "off-the-top" deductions may not increase more than 6% annually and may grow to the level of 23% of the HUTF's total income from the previous Fiscal Year.

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

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

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

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

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

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal Years 2009-10 through 2018-19 that would have been available to pay Base Rentals.

**HUTF Revenue to CDOT
Available to Pay Base Rentals
Fiscal Years 2009-10 through 2018-19
(Dollars in millions)**

<u>Fiscal Year</u>	<u>HUTF Revenue¹</u>
2010	\$406.0
2011	409.9
2012	414.0
2013	406.2
2014	418.6
2015	436.0
2016	438.5
2017	450.1
2018	459.4
2019	457.3

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

Source: CDOT.

General Fund Transfers

In 2009, the General Assembly approved, and the Governor signed into law, Senate Bill 09-228 (“**SB 09-228**”), which eliminated an annual percentage growth limit on appropriations from the State’s General Fund. Two prior bills, Senate Bill 97-001 and House Bill 02-1310, which transferred general fund revenue in excess of the appropriation limit to the State Highway Fund, were also repealed by SB 09-228. SB 09-228 required a five-year sequence of conditional transfers of up to 2.0% of gross general fund revenue to the State Highway Fund. These transfers commenced in Fiscal Year 2015-16 when CDOT received \$199.2 million. CDOT also received \$79.0 million in each of Fiscal Years 2016-17 and 2017-18 due to SB 09-228. SB 09-228 moneys are required to be spent on projects included in the Strategic Transportation Projects Investment Program (commonly known as the “7th Pot Projects”) and are not available to make payments of any Base Rentals, Additional Rentals or the State’s Purchase Option Price. With the passage of SB 17-267, the final two years of SB 09-228 transfers were rescinded. In 2018, SB 18-001 was passed by the Colorado General Assembly. SB 18-001 allocated a \$346.5 million General Fund transfer to CDOT in Fiscal Year 2018-19, and a \$105.0 million General Fund transfer to CDOT for Fiscal Year 2019-20. These transfers, per Transportation Commission action adopted in July 2018, are due to be allocated to priority highway projects in upcoming construction cycles. See also “CERTAIN RISKS FACTORS – Future Changes in Law and Future Initiatives.”

Other Revenues

CDOT receives a variety of other revenues, many of which are dedicated to specific uses and, therefore, are not available to make payments of any Base Rentals, Additional Rentals or the Option Purchase Price. The largest source of restricted revenues are moneys CDOT receives from the federal government through a number of programs for highway, safety, transit and motor carrier projects,

generally known as the Federal-Aid Highway Program (the “FAHP”). The FAHP is administered by FHWA. Payments to states under the FAHP are derived from amounts in the Federal Highway Trust Fund. CDOT received \$664.8 million of FAHP funding in Fiscal Year 2016-17, and \$656.3 million in Fiscal Year 2017-18, and expects to receive \$536.4 million in Fiscal Year 2018-19.

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

Additionally, CDOT receives certain unrestricted miscellaneous revenues from interest income, various permits, rentals of buildings in CDOT right-of-way, and sales of property. Such revenues would be available to make payments on the Certificates (including the Series 2018A Certificates). Such unrestricted miscellaneous revenues totaled approximately \$27.2 million in Fiscal Year 2015-16, and approximately \$30.4 million for Fiscal Year 2016-17, and are expected to total approximately \$26.9 million for Fiscal Year 2018-19. There is no assurance that CDOT will continue to receive such miscellaneous revenues in the future. See “CERTAIN RISK FACTORS” and the page following the inside cover of this Official Statement regarding forward looking statements.

Selected State and CDOT Financial Information

Included as Appendix F to this Official Statement are certain tables that set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the HUTF for Fiscal Years 2012-13 through 2016-17. These tables were taken from the financial statements of the State as of and for Fiscal Years 2012-13 through 2016-17, which are audited by the State Auditor (the Auditor”). The State’s Fiscal Year 2016-17 Comprehensive Annual Financial Report, or “CAFR,” including the State Auditor’s Opinion thereon, is also appended to this Official Statement as **Appendix A**. Prospective investors who wish to review the State’s CAFRs for Fiscal Years 2012-13 through 2015-16 may obtain copies as described in “INTRODUCTION-Additional Information.” Financial, economic and demographic information about the State is provided solely for general background to prospective investors.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the Auditor through the Auditor’s staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2021. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State’s Fiscal Year 2016-17 CAFR, including the State Auditor’s Opinion thereon, is appended to this Official Statement as **Appendix A**. The Office of the State Auditor, being the State’s independent auditor, has not been engaged to perform and has not performed, since the date of the State Auditor’s report included herein, any procedures on the financial statements presented in the Fiscal Year 2015-16 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

CDOT Employee Retirement Plan

CDOT employees participate in a retirement plan administered by the State’s Public Employees’ Retirement Association of Colorado (“PERA”). For information about PERA, see “STATE FINANCIAL INFORMATION – Pension and Post-Employment Benefits” and **Appendix J-STATE PENSION SYSTEM.** CDOT’s contributions to PERA are made from federal transportation funds and from HUTF revenues. The following table sets forth CDOT’s contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUTF revenues for Fiscal Years 2013-14 through 2017-18.

CDOT Contributions to PERA Fiscal Years 2013-14 through 2017-18

<u>Fiscal Year</u>	<u>Dollar Amount of CDOT Contribution to PERA</u>	<u>Contribution as a Percentage of HUTF Revenues</u>
2014	\$30,037,046	7.2%
2015	32,331,268	7.4
2016	33,878,107	6.2
2017	35,825,179	8.0
2018	37,700,000	6.6

Source: CDOT

CDOT’s proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal Year 2016-17, excluding CDOT enterprises and internal service funds, was \$1.126 billion. See additional information on the pension plan and funding in **Appendix J – “STATE PENSION SYSTEM.”**

Appropriations and Budgetary Process

The Budget Process.

Budget Items Subject to Continuing Appropriation. CDOT’s annual budget is developed under the direction of the Transportation Commission through CDOT’s Division of Accounting and Finance, which is also responsible for submitting the budget to OSPB. The majority of CDOT’s budget (over 97% of the Fiscal Year 2018-19 budget) is automatically appropriated pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. This portion of the budget that is subject to continuing appropriation includes budgeting for operations (including the Base Rentals), construction, and maintenance activities. The operations budget includes planning and research, special allocations for training, DBE certification, intelligent transportation systems, vehicle lease payments, workers’ compensation insurance, equipment, property, and other miscellaneous operations. The construction program includes allocations for the following: surface treatment, bridges, rest areas, safety, other regional priorities, and local programs for metro areas, bridges, safety, air quality, and enhancements. Budgets are also established for engineering, right-of-way, utilities, environmental clearances, materials testing, developing design standards, construction management, and other project related costs. However, these costs are allocated to projects either directly or indirectly and funded as part of the various construction programs.

In June of each year, the Division of Accounting and Finance issues budget building instructions to the division directors within CDOT. Included in the instructions are formats for “decision items” used to request new funding or to request a significant increase to current funding levels. Decision items for the portion of the budget to be approved by the Transportation Commission are submitted by division

directors to the Division of Accounting and Finance in October. During the month of September, the Division of Accounting and Finance updates revenue estimates and prepares the continuation budget.

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

The Fiscal Year 2018-19 CDOT budget was signed by the Governor on June 29, 2018.

Budget Items Subject to Annual Legislative Appropriation. The remaining portion of CDOT's budget (less than 3% of the Fiscal Year 2018-19 budget) is appropriated annually by the General Assembly. This appropriated portion of the budget includes the budgets for administration and the First Time Drunk Driving Offender account. The budget for administration, as defined by State statute, includes the salaries and expenses of the offices and staff of the Transportation Commission, the Executive Director, the Chief Engineer, regional directors, budget, internal audit, public information, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing. State statutes limit administrative spending for these items to 5% of the total budget allocation plan for CDOT. State statutes provide that appropriations made by the General Assembly to CDOT for administrative expenditures are to be set forth in a single line item as a total sum, without identification by project, program, or district.

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

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

Content of the Budget Allocation Plan. The proposed budget allocation plan is to include a general State transportation budget summary showing the means of financing the budget for the ensuing Fiscal Year, together with corresponding figures for the last completed Fiscal Year and the Fiscal Year then in progress.

CDOT has covenanted in the Lease to include in the budget proposal for each Fiscal Year the entire amount of Base Rentals due and Additional Rentals estimated to be due in such Fiscal Year. As part of the budgetary process for each Fiscal Year, the Transportation Commission will have discretion as to whether or not to approve such amounts. See “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE AND THE LEASE – The Lease – Event of Nonallocation.”

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

CDOT

Series 2016 and 2017 Certificates of Participation. The State of Colorado, Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the “**Series 2016 Certificates**”) and the State of Colorado, Colorado Department of Transportation Amended and Restated Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2017 (the “**Series 2017 Certificates**”) were delivered in the original aggregate principal amounts of \$70,000,000 and \$58,650,000, respectively, and represent proportionate interests in the right of ZB, National Association dba Zions Bank, as trustee for both transactions to receive base rentals and other amounts payable by the State, acting by and through CDOT pursuant to annually renewable lease purchase agreements. Payments of base rentals and other amounts under such lease purchase agreements are expected to be paid from amounts annually allocated therefor by the Transportation Commission, in its sole discretion from certain amounts on deposit in the State Highway Fund. Both series of Certificates are still outstanding in their respective original aggregate principal amounts. The property being leased in connection with the Series 2016 Certificates and Series 2017 Certificates is not part of the Leased Property.

Series 2012 Lease Purchase Agreement. CDOT entered into a lease purchase agreement (the “Series 2012 Lease”) with Wells Fargo National Association, as trustee, in connection with the Certificates of Participation, Series 2012 “Series 2012 Certificates”). As of the date of this Official Statement, the Series 2012 Certificates were outstanding in the aggregate principal amount of \$8,980,000. The Series 2012 Certificates have a final maturity date of June 15, 2022. The property being leased under the Series 2012 Lease is not part of the Leased Property.

Intra-Agency Agreements. CDOT has entered into Intra-Agency Agreements (“IAAs”) with HPTE in connection with (a) the I-25 North Express Lanes Project (Segment 3), (b) the I-70 Peak Period Shoulder Lane Project, (c) the U.S. 36 and the I-25 Managed Lanes Project, and (d) the C-470 Express Lanes Project pursuant to which CDOT, among other things, agreed to consider making, but is not obligated to make, certain backup loans to HPTE in the event project revenues are insufficient to meet certain of HPTE’s payment obligations associated with these projects. Any backup loans provided by CDOT to HPTE would require the approval of the Transportation Commission. The IAA with respect to the I-25 North Express Lanes Project (Segment 3) supports an HPTE Toll Revenue Note, Series 2016, in the principal amount of \$23.63 million, which has amortized principal payments of 33.4%/33.3%/33.3% due in 2023/2024/2025. The IAA with respect to the I-70 Peak Period Shoulder Lane Project supports an HPTE Toll Revenue Note, Series 2014, in the principal amount of \$25 million, which has amortized principal payments of 26%/33%/41 % due in 2022/2023/2024. The IAA with respect to the U.S. 36 and the I-25 Managed Lanes Project supports certain amounts payable by HPTE to Plenary Roads Denver LLC (“Plenary”) pursuant to the Amended and Restated Concession Agreement, dated February 24, 2014

(the “Concession Agreement”), including certain termination amounts that could be payable by HPTE to Plenary in the event the Concession Agreement is terminated. The IAA with respect to the C-470 Express Lanes Project is expect to provide that (a) CDOT will be responsible for any construction costs that exceed \$210 million (the design build contract for the C-470 Express Lanes Project has a guaranteed maximum price of \$204.3 million, and CDOT has budgeted \$21.1 million for contingency costs), and (b) CDOT will be responsible for any costs incurred by HPTE (including debt service payments related to the obligations (approximately \$288 million) to be incurred by HPTE with respect to the C-470 Express Lanes Project, the proceeds of which will finance the costs of the C-470 Express Lanes Project) as a result of delays in the collection of tolls on the C-470 Express Lanes Project caused by construction delays (unless such delays are caused by HPTE or the entity hired to collect the tolls).

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

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

The State, State Departments and Agencies

Generally. The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years’ general revenues. Accordingly, the State currently has, and upon execution and delivery of the Series 2018A Certificates will have, no outstanding general obligation debt.

Governmental Activities. The State is authorized to and has entered into lease purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. 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.

At June 30, 2017, the State had outstanding liabilities related to notes, bonds and certificates of participation for governmental activities totaling \$1,313.5 million. See Notes 10, 11, 12 and 21 to the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement for a further discussion of such outstanding liabilities as of June 30, 2017, as well as those incurred after June 30, 2017, but before publication of the Fiscal Year 2016-17 CAFR.

Business-Type Activities. State departments and agencies, including State institutions of higher education, are also authorized to and have entered into annually renewable lease purchase agreements, and to issue revenue bonds and notes, for the purchase of equipment, the construction of facilities and infrastructure and other business-type activities. With the exception of the University of Colorado, which

is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. The revenue bonds and certificates of participation, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements, have in most cases been publicly offered, while the notes have generally been issued through private negotiation directly with banks or other financial institutions.

At June 30, 2017, the State's enterprise funds had outstanding liabilities related to notes, bonds and certificates of participation for business-type activities totaling \$4,785.0 million. See Notes 10, 11, 12 and 21 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement for a further discussion of such obligations that were outstanding as of June 30, 2017, as well as those incurred after June 30, 2017, but before publication of the Fiscal Year 2016-17 CAFR.

Other. The State also 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 19 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement.

See also the Statistical Section of the State's Fiscal Year 2016-17 CAFR for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

State Tax and Revenue Anticipation Notes

Under State law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more State funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-85, the State has issued tax and revenue anticipation notes in order to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time. See Notes 10 and 21 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement for a discussion of State tax and revenue anticipation notes outstanding as of June 30, 2017, and of such notes issued after June 30, 2017, but before publication of the Fiscal Year 2016-17 CAFR. The State issued \$600 million of General Fund Tax and Revenue Anticipation Notes, Series 2018A, on July 19, 2018, in order to fund anticipated cash flow shortfalls in the General Fund in Fiscal Year 2018-19, and \$310 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2018A, on July 18, 2018, in order to fund anticipated cash flow shortfalls in the general funds of various participating school districts in Fiscal Year 2018-19.

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

State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State and the State Treasurer has no responsibility for such issuances, although pursuant to Section 22-30.5-408, C.R.S., the State may, but is not obligated to, appropriate moneys to cure unreplenished draws on debt service reserve funds for certain bonds issued by the Colorado Educational and Cultural Facilities Authority to fund facilities for charter schools. Generally, State authorities are legally separate,

independent bodies governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

Pension and Post-Employment Benefits

General. The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in **Appendix J** – “STATE PENSION SYSTEM,” the “**State Division Plan**”). State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the “**State Division DC Plan**”), although the majority of State employees participate in the State Division Plan. State employees may also elect to participate in a limited healthcare plan. Each plan is administered by the Public Employees’ Retirement Association (“**PERA**”), which is a statutorily created legal entity that is separate from the State. PERA also administers plans for school districts, local governments and other entities, each of which is considered a separate division of PERA and for which the State has no obligation to make contributions or fund benefits. The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

For a general description of the State Division Plan and PERA, see **Appendix J** – “STATE PENSION SYSTEM.” For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 6, 7 and 8 to the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement, as well as PERA’s Comprehensive Annual Financial Report for calendar year 2017 (the “**PERA 2017 CAFR**”). The information in the State’s Fiscal Year 2016-17 CAFR regarding PERA is derived from PERA’s Comprehensive Annual Financial Report for calendar year 2016, while the information in this Official Statement is derived from the PERA 2017 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, PERA reported that at December 31, 2016, the State Division Plan had an unfunded actuarial accrued liability (“**UAAL**”) of approximately \$11.644 billion and a funded ratio of 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation, as well as an investment rate of return on Plan assets and discount rate on actuarially accrued liabilities of 7.25%.

In order to address the funding status of PERA’s defined benefit plans, including the State Division Plan, during the 2018 legislative session the General Assembly enacted, and on June 4, 2018, the Governor signed, SB 18-200, which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100% funded ratio for each of such plans, within the next 30 years. SB 18-200 makes changes to certain benefit and contribution provisions of the defined benefit plans administered by PERA, including implementing a provision that automatically adjusts employee and employer contribution rates, annual cost of living increases and the State’s annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly.

Taking into account changes made by SB 18-200, the PERA 2017 CAFR reports that at December 31, 2017, the State Division Plan had a UAAL of approximately \$10.526 billion and a funded ratio of 57.5%, which would amortize over a 33-year period.¹ 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, 2017, the Plan had an unfunded accrued liability of approximately \$9.677 billion and a funded ratio of 61.0%.

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, 2017, taking into account the changes made by SB 18-200, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately \$1.321 billion, a funded ratio of 16.5% 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 2017 CAFR for additional information regarding the Health Care Trust Fund.

Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75. GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”

¹ This amortization period is based on the actuarial valuation for funding purposes as of December 31, 2017, and exceeds the SB 18-200 goal of funding 100% of the AAL of the State Division Plan within 30 years because it does not include the full effect of changes to the State Division Plan implemented by the General Assembly in 2006 and 2010 or the full effect of changes to the State Division Plan required by SB 18 200, which are designed to lower the normal cost over time as new members are added to the Plan, allow a greater proportion of the State’s contribution to the Plan to be used to amortize the unfunded liability and increase future contributions to the Plan in order to accelerate the amortization of the UAAL. On a projected basis, the amortization period for the State Division Plan is 27 years. For further information, see the PERA 2017 CAFR.

("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 a UAAL of approximately \$11.643 billion as of December 31, 2016, and \$10.526 billion as of December 31, 2017. The State reported a liability in the State's Fiscal Year 2016-17 CAFR of approximately \$17.779 billion at June 30, 2017, for its proportionate share of the net pension liability, consisting of approximately \$17.540 billion for the State Division and \$0.239 billion for the Judicial Division, compared to a reported liability in the State's Fiscal Year 2016-17 CAFR of approximately \$10.252 billion at June 30, 2016, for its proportionate share of the net pension liability, consisting of approximately \$10.079 billion for the State Division and \$0.173 billion for the Judicial Division. 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 2016-17 CAFR appended to this Official Statement. See also Notes 6, 7 and 8 to the Financial Statements in the State's Fiscal Year 2016-17 CAFR and **Appendix J** – "STATE PENSION SYSTEM," and particularly the sections thereof entitled "Funding Status of the State Division Plan," "Net Pension Liability of the State Division Plan" and "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68."

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB 75"), is effective for fiscal years beginning after June 15, 2017, and accordingly will be first implemented in the State's Comprehensive Annual Financial Report for Fiscal Year 2017-18. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits (OPEB) liability (of all employers for benefits provided through the OPEB plan), *i.e.*, the collective net OPEB liability. The State will also be required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. In addition, GASB 75 will require additional footnote disclosures about the pension trust fund in the financial statements.

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 2016-17 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 the State's Fiscal Year 2016-17 CAFR or the State's ability to fully pay its obligations, including the Certificates.

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

Litigation with Respect to SB 17-267

Except as described below, there is no litigation pending, or to the knowledge of the State, threatened, (a) seeking to restrain or enjoin the execution and delivery of the Series 2018A Certificates, (b) questioning the right of the State Treasurer to enter into the 2018A Lease or 2018A Site Lease in the manner provided in the Act, or (c) questioning or affecting the validity of the Series 2018A Certificates or

the proceedings or authority under which they are to be executed and delivered. For a discussion of legal matters, including certain pending litigation involving the Act, see “CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2018A Certificates May be Suspended or Terminated.”

Two Colorado non-profit entities and two individuals have filed suit in Denver District Court against the State of Colorado and various State entities and officials (*TABOR Foundation et al. v. Colorado Department of Health Care Policy and Financing et al.*, Case No.: 2015 CV 32305) (the “**TABOR Foundation Case**”) challenging the constitutionality of SB 17-267 on the following grounds: (a) the Colorado Healthcare Affordability and Sustainability Enterprise (“**CHASE**”) created by SB 17-267 is an unlawful enterprise under TABOR; (b) the fee amounts to a tax enacted without voter approval; (c) SB 17-267 violates the single subject requirement contained in the Colorado Constitution; and (d) the downward adjustment to the TABOR and Referendum C revenue caps should have been greater due to the creation of CHASE. The Plaintiffs claim that SB 17-267 should be rendered void.

In addition to the healthcare-related provisions being challenged by the Plaintiffs in the TABOR Foundation Case, SB 17-267 contains other provisions including authorizing the State Treasurer to execute and deliver the lease purchase agreements for the financing of State Highway and Transit Projects and State Capital Construction Projects. The Series 2018A Certificates evidence undivided interests in the right to payments from the State under the Leases. On July 16, 2018, cross motions for summary judgment were filed by the parties to such litigation and are pending disposition by the court. On September 12, 2018, the court confirmed that there are no genuine issues of material fact requiring a trial. The court will enter judgment as a matter of law on all issues raised by the parties in due course. The State is vigorously defending the suit and believes it has a reasonable possibility of favorable outcome against the Plaintiffs’ claims in the TABOR Foundation Case, including the single-subject issue, but the ultimate outcome cannot presently be predicted.

Bond Counsel reviewed the pleadings of Plaintiffs and the State in the TABOR Foundation Case and has advised the State that the pending litigation will not prevent Bond Counsel from delivering its Litigation Opinion (described in “CERTAIN RISK FACTORS – If Litigation Challenging SB 17-267 is Successful, Payments under the Series 2018A Certificates May be Suspended or Terminated”) or its Bond Counsel Opinion in connection with the issuance of the Series 2018A Certificates, including its opinion that the State’s obligations under the 2018A Lease are valid, binding and enforceable against the State in accordance with their terms. See **Appendix D** – “FORM OF BOND COUNSEL OPINION.”

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

Additional Litigation

For a description of other pending material litigation in which the State is a defendant, see Note 19 to the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement. **Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in such Note.**

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the “**Immunity Act**”), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity,

except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. For incidents occurring prior to July 1, 2013, the limits are \$150,000 for injury to one person in a single occurrence and an aggregate of \$600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$150,000; for incidents occurring on and after January 1, 2013, but before January 1, 2018, the maximum amounts that may be recovered under the Immunity Act are \$350,000 for injury to one person in a single occurrence and an aggregate of \$990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$350,000; and for incidents occurring on and after January 1, 2018, but before January 1, 2022, the maximum amounts that may be recovered under the Immunity Act are \$387,000 for injury to one person in a single occurrence and an aggregate of \$1,093,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$387,000. These limits are subject to adjustment on January 1, 2022, and every four years thereafter based on the percentage change in the Consumer Price Index for Denver-Boulder-Greeley, or its successor index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or State employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

Sovereign immunity of the State has been waived in actions 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. Sovereign immunity of public school districts and charter schools has been waived for claims arising from an incident of school violence if such entity has failed to exercise reasonable care to protect students, faculty or staff, provided that such claims are subject to the liability limits provided in the prior paragraph.

Self-Insurance

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

TAX MATTERS

The Internal Revenue Code of 1986, as amended, includes requirements which the State must continue to meet after the issuance of the Series 2018A Certificates in order that the portion of Base Rent designated and paid by the State as interest on the Series 2018A Certificates (referred to herein as “interest”) be and remain excludable from gross income for federal income tax purposes. The State’s failure to meet these requirements may cause the interest on the Series 2018A Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018A Certificates. The State Treasurer has covenanted in the Authorizing Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2018A Certificates.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the State Treasurer and continuing compliance by the State with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the portion of Base Rent designated and paid by the State as interest on the Series 2018A Certificates is excludable from gross income for federal income tax purposes. Interest on the Series 2018A Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Federal legislation enacted in 2017 eliminates alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisor regarding alternative minimum tax implications of owning the Series 2018A Certificates. No opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2018A Certificates following termination of the Series 2018A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

In the opinion of Bond Counsel, under existing State of Colorado statutes, regulations, rulings and court decisions, that the Base Rent designated and paid as interest to the holders of the Series 2018A Certificates is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax. No opinion is expressed with respect to the Colorado income tax consequences of any payments received with respect to the Series 2018A Certificates following termination of the Series 2018A Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. Prospective purchasers of the Series 2018A Certificates should consult their own tax advisors as to the status of interest on the Series 2018A Certificates under the tax laws of any state other than the State.

Except as described above, Bond Counsel will express no opinion regarding the federal or state income tax consequences resulting from the receipt or accrual of the portion of the Base Rent designated and paid as interest on the holders of the Series 2018A Certificates, or the ownership or disposition of the Series 2018A Certificates. Prospective purchasers of Series 2018A Certificates should be aware that the ownership of Series 2018A Certificates may result in other collateral federal or state tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2018A Certificates, or in the case of a financial institution, that portion of the owner’s interest expense allocable to the portion of Base Rent designated and paid as interest on the Series 2018A Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the portion of Base Rent designated and paid as interest on the Series 2018A Certificates, (iii) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2018A Certificates in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2018A Certificates in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of the portion of Base Rent designated and paid as

interest on the Series 2018A Certificates in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Series 2018A Certificates. Prospective purchasers of the Series 2018A Certificates should consult their own tax advisors as to the impact of these other tax consequences.

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

Original Issue Premium and Discount

Certain of the Series 2018A Certificates ("**Discount Series 2018A Certificates**") may be offered and sold to the public at an original issue discount ("**OID**"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Series 2018A Certificate determined under Code Section 1273 or 1274 (*i.e.*, for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Series 2018A Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Series 2018A Certificate (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2018A Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Series 2018A Certificate.

Certain of the Series 2018A Certificates ("**Premium Series 2018A Certificates**") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Series 2018A Certificates callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2018A Certificate, based on the yield to maturity of that Premium Series 2018A Certificates (or, in the case of a Premium Series 2018A Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2018A Certificates), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Series 2018A Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2018A Certificate, the owner's tax basis in the Premium Series 2018A Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2018A Certificate for an amount equal to or less than the amount paid by the owner for that Premium Series 2018A Certificate.

Owners of Discount and Premium Series 2018A Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium

properly accruable in any period with respect to the Discount or Premium Series 2018A Certificates and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the portion of Base Rent designated and paid as interest on the Series 2018A Certificates. Changes such as these could adversely affect the market price or marketability of the Series 2018A Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Series 2018A Certificates. Prospective purchasers of the Series 2018A Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

IRS Audit Program

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

There can be no assurance that an audit by the Service of the Series 2018A Certificates will not be commenced. However, the State has no reason to believe that any such audit, if commenced, would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the Series 2018A Certificates.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2018A Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2018A Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2018A

Certificates, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Series 2018A Certificates and proceeds from the sale of Series 2018A Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2018A Certificates. This withholding generally applies if the owner of Series 2018A Certificates (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2018A Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

UNDERWRITING

The Series 2018A Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to \$545,457,454.90 (representing the aggregate principal amount of the Series 2018A Certificates of \$500,000,000.00 plus net original issue premium of \$46,842,520.15 less an aggregate underwriting discount of \$1,385,065.25). The Underwriters have agreed to accept delivery of and pay for all the Series 2018A 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 2018A Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2018A Certificates to certain dealers (including dealers depositing such Series 2018A Certificates into investment funds) and others at prices lower than the public offering prices stated on the inside cover page hereof. The public offering prices set forth on the inside front cover hereof may be changed after the initial offering by the Underwriters.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), the senior underwriter of the Series 2018A Certificates, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the

trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2018A Certificates. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2018A Certificates with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2018A Certificates. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC (“JPMS”), one of the underwriters of the Series 2018A Certificates, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2018A Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018A Certificates that such firm sells.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2018A Certificates are subject to the approving opinion of Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2018A 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 2018A Certificates as Special Counsel to the State. Sherman & Howard L.L.C. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State contained in this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Kline Alvarado Veio P.C., Denver, Colorado, has acted as counsel to the Underwriters. Payment of legal fees to Bond Counsel and Special Counsel are contingent upon the sale and delivery of the Series 2018A Certificates.

RATINGS

Standard & Poor’s Ratings Services has assigned the Series 2018A Certificates a rating of “AA-” and Moody’s Investors Service has assigned the Series 2018A Certificates a rating of “Aa2”. No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2018A Certificates and the 2018A 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 2018A Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

MUNICIPAL ADVISORS

The State has retained Hilltop Securities LLC, Denver, Colorado and CDOT has retained Stifel Nicolaus & Company, Incorporated, Denver, Colorado, as municipal advisors (collectively, the “**Municipal Advisors**”) in connection with the Series 2018A Certificates and with respect to the authorization, execution and delivery of the Series 2018A Certificates. *The Municipal Advisors were not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Municipal Advisors will act as independent advisory firms and will not be engaged in underwriting or distributing the Series 2018A Certificates.

CONTINUING DISCLOSURE

Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, prohibits underwriters from purchasing or selling certain municipal securities unless the issuer of those securities, or an obligated person for whom financial or operating data is presented in the final official statement, has undertaken to provide continuing disclosure information for the benefit of the owners of those securities. In accordance with Rule 15c2-12, the State, acting by and through the State Treasurer, will enter into a Continuing Disclosure Undertaking on the Closing Date, the form of which is appended to this Official Statement, pursuant to which the State Treasurer will agree for the benefit of the Owners and Beneficial Owners of the Series 2018A Certificates to file with the MSRB via its EMMA website (a) certain annual financial information and the State’s audited annual financial statements not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2019, and (b) notices of the occurrence of certain events affecting the State and the Certificates within ten business days of their occurrence. See **Appendix C – “FORM OF CONTINUING DISCLOSURE UNDERTAKING”** for a description of the annual information and the notices of events to be provided and other terms of the Continuing Disclosure Undertaking.

The obligations of the State Treasurer pursuant to the Continuing Disclosure Undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2018A Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer’s obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners and Beneficial Owners of the Certificates in the event of a breach of the Continuing Disclosure Undertaking.

Compliance with Other Continuing Disclosure Undertakings

The State Treasurer has determined that during the previous five years, the State Treasurer and certain other State departments or agencies have not complied in all material respects with continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing to file, or to file on a timely basis, on the EMMA website and its predecessor repositories, certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings. For example, CDOT failed to file annual financial information and audited financial statements in respect of its outstanding obligations for Fiscal Year 2012-13.

Partially in response to the foregoing, the State Treasurer requested and the General Assembly enacted legislation in 2012 to provide the State Treasurer with statutory authority over debt issuance and post-issuance compliance with continuing disclosure undertakings entered into by the State, the State

Treasurer and certain State departments and agencies that utilize the State's credit (collectively, the **"Included Entities"**) in connection with financial obligations issued by or for the benefit of the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

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

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

Due to various issues that were experienced by the State in connection with the implementation of a new integrated financial system as described in "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting," the State's unaudited Basic Financial Statements for Fiscal Year 2014-15 and the State's Fiscal Year 2014-15 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. Notice of such noncompliance was posted on EMMA on January 16, 2017, and the State's unaudited Basic Financial Statements for Fiscal Year 2015-16 and the State's Fiscal Year 2015-16 CAFR were posted on EMMA on January 16, 2017, and March 8, 2017, respectively. The State was also unable to post its Fiscal Year 2016-17 audited financial statements on EMMA by January 26, 2018, as required by such continuing disclosure undertakings. A notice of late filing was posted on EMMA on January 25, 2018, and the State's unaudited Basic Financial Statements for Fiscal Year 2016-17 and the State's Fiscal Year 2016-17 CAFR were posted on EMMA on January 9, 2018, and February 8, 2018, respectively.

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

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

MCDC Settlement Order with Securities and Exchange Commission

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

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

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

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

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

Additional Information

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

MISCELLANEOUS

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2018A Certificates, copies of the Act and certain other documents referred to herein may be obtained from the source provided in “INTRODUCTION – Miscellaneous.” So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

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

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

APPENDIX A
State of Colorado Comprehensive Annual Financial Report
for the Fiscal Year ended June 30, 2017

(Pagination reflects the original printed document)

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

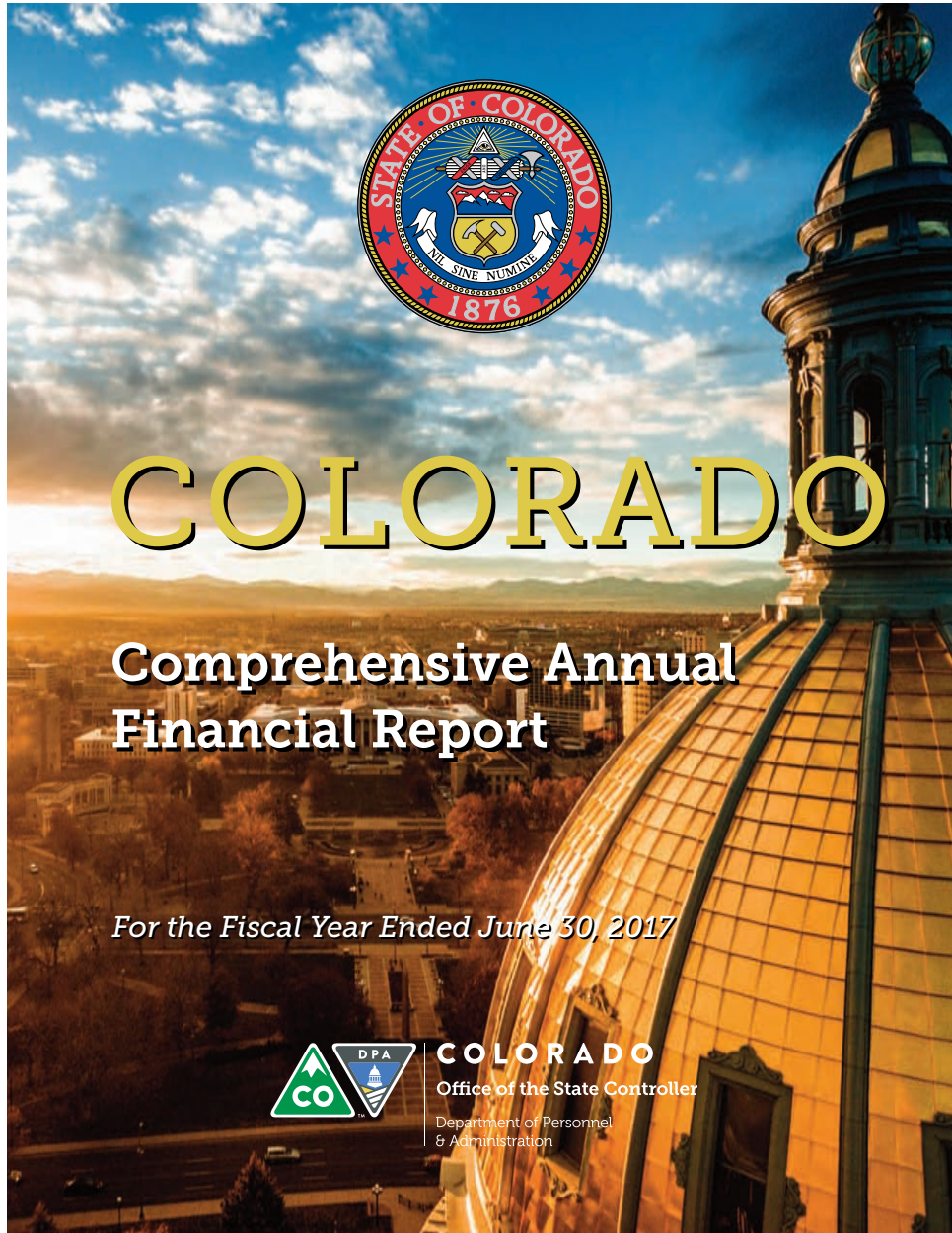
**STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(Page numbering is that of the original printed document)

A-1

[This page intentionally left blank]

A-1





Comprehensive Annual Financial Report



John Hickenlooper
Governor

*For the Fiscal Year
Ended June 30, 2017*



COLORADO
Office of the State Controller

Department of Personnel
& Administration

[THIS PAGE INTENTIONALLY LEFT BLANK]

**STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	9
Certificate of Achievement	15
Organization Chart	16

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	18
MANAGEMENT'S DISCUSSION AND ANALYSIS	23
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
<i>Statement of Net Position</i>	45
<i>Statement of Activities</i>	46
Fund Financial Statements:	
<i>Balance Sheet – Governmental Funds</i>	48
<i>Reconciliation of the Balance Sheet to the</i> <i>Statement of Net Position</i>	50
<i>Statement of Revenues, Expenditures, and</i> <i>Changes in Fund Balances – Governmental Funds</i>	52
<i>Reconciliation of the Statement of Revenues, Expenditures, and</i> <i>Changes in Fund Balances to the Statement of Activities</i>	54
<i>Statement of Net Position – Proprietary Funds</i>	56
<i>Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds</i>	58
<i>Statement of Cash Flows – Proprietary Funds</i>	60
<i>Statement of Fiduciary Net Position – Fiduciary Funds</i>	64
<i>Statement of Changes in Fiduciary Net Position – Fiduciary Funds</i>	65
<i>Statement of Net Position – Component Units</i>	66
<i>Statement of Revenues, Expenses, and Changes in Net Position – Component Units</i>	68
<i>Recast to the Statement of Activities Format</i>	70
Notes to the Financial Statements:	
Note 1 – Summary of Significant Accounting Policies	71
Note 2 – Stewardship, Accountability, and Legal Compliance	86
Note 3 – Cash and Receivables	90
Note 4 – Investments	94
Note 5 – Capital Assets	108
Note 6 – Pension System and Obligations	111
Note 7 – Other Postemployment Benefits and Life Insurance	120
Note 8 – Other Employee Benefits	124

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

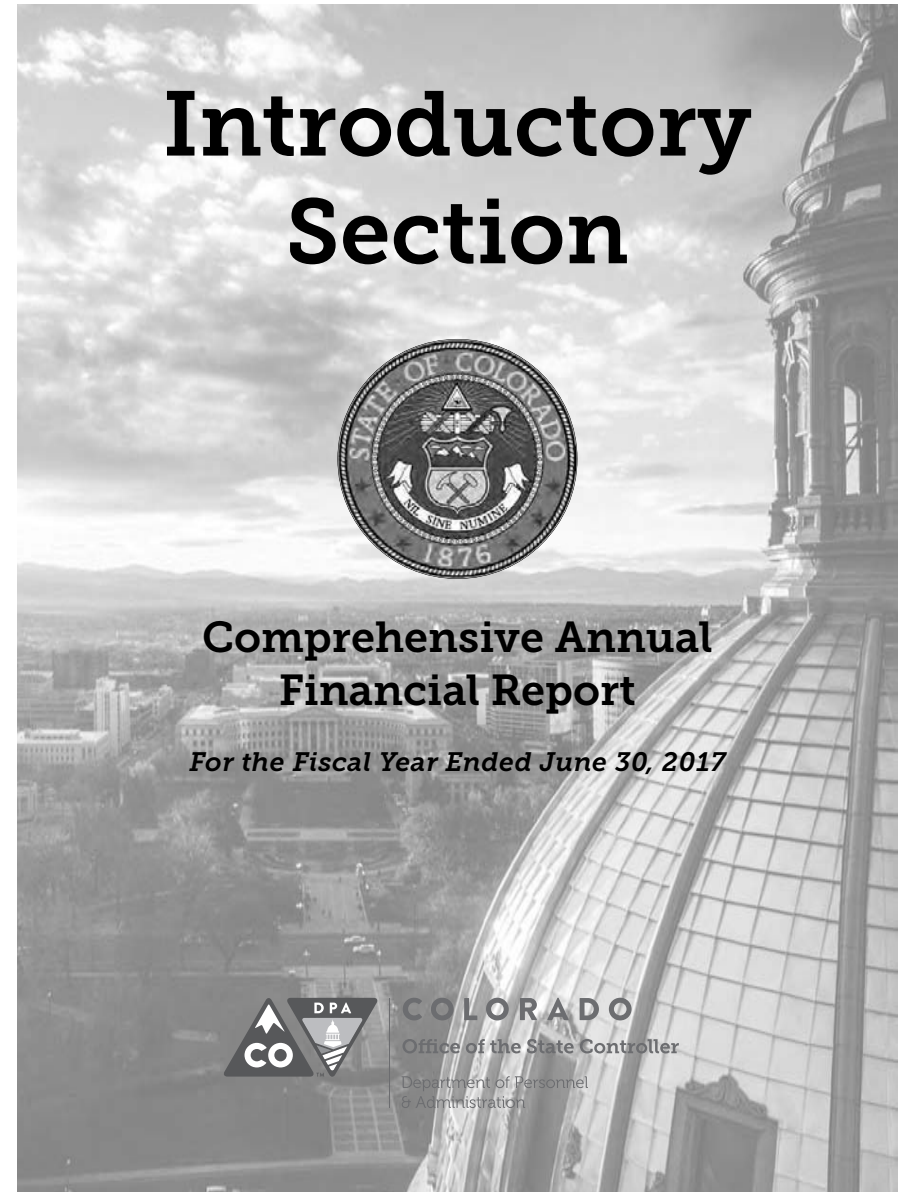
The Comprehensive Annual Financial Report and other financial reports are available on the State Controller's home page at:
<http://www.colorado.gov/osc/cafr>

Note 9 – Risk Management.....	127	<i>Combining Statement of Revenues, Expenses, and</i>	
Note 10 – Leases and Short-Term Debt.....	132	<i>Changes in Fund Net Position – Other Enterprise Funds.....</i>	224
Note 11 – Notes, Bonds, and Certificates of Participation Payable.....	135	<i>Combining Statement of Cash Flows – Other Enterprise Funds.....</i>	226
Note 12 – Changes in Long-Term Liabilities.....	138	<i>Combining Statement of Net Position – Internal Service Funds.....</i>	232
Note 13 – Defeased Debt and Pollution Remediation Obligations.....	141	<i>Combining Statement of Revenues, Expenses, and</i>	
Note 14 – Deferred Inflows and Outflows of Resources.....	144	<i>Changes in Fund Net Position – Internal Service Funds.....</i>	234
Note 15 – Net Position and Fund Balance.....	146	<i>Combining Statement of Cash Flows – Internal Service Funds.....</i>	236
Note 16 – Interfund Transactions.....	152		
Note 17 – Pledged Revenues and Donor Restricted Endowments.....	159		
Note 18 – Component Units, Segments, and Related Parties.....	161	Fiduciary Funds:	
Note 19 – Commitments and Contingencies.....	167	<i>Combining Statement of Fiduciary Net Position –</i>	
Note 20 – Tax Abatements.....	171	<i>Pension and Other Employee Benefit Trust Funds.....</i>	242
Note 21 – Subsequent Events.....	173	<i>Combining Statement of Changes in Fiduciary Net Position –</i>	
		<i>Pension and Other Employee Benefit Trust Funds.....</i>	243
		<i>Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds.....</i>	244
		<i>Combining Statement of Changes in Fiduciary Net Position –</i>	
		<i>Private Purpose Trust Funds.....</i>	246
		<i>Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds.....</i>	248
REQUIRED SUPPLEMENTARY INFORMATION:		Component Units:	
Budget and Actual Schedules – Budgetary Basis:		<i>Combining Statement of Net Position – Other Component Units.....</i>	252
<i>Schedule of Revenues, Expenditures, and</i>		<i>Combining Statement of Revenues, Expenses, and</i>	
<i>Changes in Fund Balances – Appropriated General Funded.....</i>	179	<i>Changes in Net Position – Other Component Units.....</i>	253
<i>Schedule of Revenues, Expenditures/Expenses, and</i>			
<i>Changes in Fund Balances/Net Position – Appropriated Cash Funded.....</i>	180	Other Schedules:	
<i>Schedule of Revenues, Expenditures/Expenses, and</i>		<i>Schedule of Capital Assets Used in Governmental Activities.....</i>	256
<i>Changes in Fund Balances/Net Position – Appropriated Federally Funded.....</i>	181	<i>Schedule of Other Funds Detail.....</i>	260
<i>Reconciling Schedule All Budget Fund Types to All GAAP Fund Types.....</i>	182		
<i>Schedule of Revenues, Expenditures, and</i>		Budget and Actual Schedules – Budgetary Basis Non-Appropriated:	
<i>Changes in General Fund Surplus – Budget and Actual – Budgetary Basis.....</i>	185	<i>Schedule of Revenues, Expenditures, and</i>	
Notes to Required Supplementary Information:		<i>Changes in Fund Balances – Non-Appropriated General Funded.....</i>	265
Note RSI-1 Budgetary Information.....	186	<i>Schedule of Revenues, Expenditures/Expenses, and</i>	
Note RSI-2 The State’s Defined Benefit Pension Plan.....	189	<i>Changes in Fund Balances/Net Position – Non-Appropriated Cash Funded.....</i>	266
Note RSI-3 Other Postemployment Benefit Information.....	190	<i>Schedule of Revenues, Expenditures/Expenses, and</i>	
		<i>Changes in Fund Balances/Net Position – Non-Appropriated Federally Funded.....</i>	267
SUPPLEMENTARY INFORMATION:		Schedule of TABOR Revenue and Computations:	
Governmental Funds:		<i>Schedule of TABOR Revenue.....</i>	271
<i>Combining Balance Sheet – General Fund Components.....</i>	200	<i>Schedule of Computations Required.....</i>	272
<i>Combining Statement of Revenues, Expenditures, and</i>		Notes to the TABOR Schedule of Required Computations.....	273
<i>Changes in Fund Balances – General Fund Components.....</i>	201		
<i>Combining Balance Sheet – Capital Projects Fund Components.....</i>	204		
<i>Combining Statement of Revenues, Expenditures, and</i>			
<i>Changes in Fund Balances – Capital Projects Fund Components.....</i>	205		
<i>Combining Balance Sheet – Other Governmental Funds.....</i>	208		
<i>Combining Statement of Revenues, Expenditures, and</i>			
<i>Changes in Fund Balances – Other Governmental Funds.....</i>	209		
<i>Combining Balance Sheet – Special Revenue Funds.....</i>	212		
<i>Combining Statement of Revenues, Expenditures, and</i>			
<i>Changes in Fund Balances – Special Revenue Funds.....</i>	214		
<i>Combining Balance Sheet – Permanent Funds.....</i>	218		
<i>Combining Statement of Revenues, Expenditures, and</i>			
<i>Changes in Fund Balances – Permanent Funds.....</i>	219		
Proprietary Funds:			
<i>Combining Statement of Net Position – Other Enterprise Funds.....</i>	222		

STATISTICAL SECTION

FINANCIAL TRENDS	
Government-Wide Schedule of Net Position – Last Ten Fiscal Years.....	286
Government-Wide Schedule of Changes in Net Position – Last Ten Fiscal Years.....	292
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
All Governmental Fund Types – Last Ten Fiscal Years.....	298
General Purpose Revenues (After TABOR Refunds) – General Fund – Last Ten Fiscal Years.....	300
Expenditures by Department and Transfers – Funded by General Purpose Revenues	
Last Ten Fiscal Years.....	302

Fund Balance – General Fund and All Other Governmental Fund Types Last Ten Fiscal Years	304
REVENUE CAPACITY	
TABOR Revenues, Expenditures, Fiscal Year Spending Limitations, and Refunds – Last Ten Fiscal Years	306
Individual Income Tax Returns by Adjusted Gross Income Class	308
Sales Tax Returns by Industry Class	308
Colorado Tax Rates – Last Ten Years	309
DEBT CAPACITY	
Debt Service Expenditures – All Governmental Fund Types – Last Ten Fiscal Years	310
Total Outstanding Debt – Primary Government – Last Ten Fiscal Years	310
Revenue Bond Coverage – Last Ten Fiscal Years	312
DEMOGRAPHIC AND ECONOMIC INFORMATION	
Colorado Demographic Data – Last Ten Years	313
Colorado Employment by Industry – Last Ten Years	313
Value of Total Construction in Colorado by Type – Last Ten Years	314
Colorado Sales and Gross Farming Revenue – Last Ten Years	314
OPERATING INFORMATION	
Demand Drivers of the Primary Government – Last Ten Years	316
Average Count of State Employees by Function and Average Monthly Salary – Last Ten Fiscal Years	318
Colorado State Highway System – Centerline and Lane Miles – Last Ten Years	320
Colorado State-Owned Bridges by Functional Classification – Last Ten Years	320
Building Square Footage Owned by the Primary Government – Last Ten Years	321
Building Square Footage Leased by the Primary Government – Last Ten Years	321
OTHER INFORMATION	
Other Colorado Facts	322



COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT



February 6, 2018

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, 2017. 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.

Additional information about these component units and other related entities is presented in Note 1 of the financial statements (see page 71). Audited financial reports are available from each of these entities.



PROFILE OF THE STATE OF COLORADO

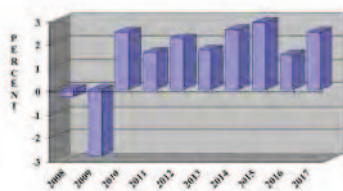
Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,315 to 14,433 feet above sea level. The State’s major economic sectors 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, district courts, 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.

PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



ECONOMIC CONDITION AND OUTLOOK

The State’s General Fund general-purpose revenues reflect the overall condition of the State economy, which showed continued growth in Fiscal Year 2016-17; General Fund revenues increased by \$334.0 million (3.4 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 1.9 percent for 2016 and is forecast to increase by 5.4 percent for 2017. State nonagricultural employment levels rose by 56,400 in 2016, and are forecast to increase by another 57,200 in 2017.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.8 percent in the third quarter of calendar year 2016 and 3.2 percent in the third quarter of 2017. Inflation adjusted GDP increased 2.3 percent from the third quarter of 2016 to the third quarter of 2017 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis).

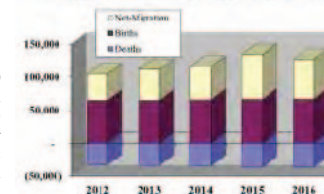
National personal consumption expenditures account for over two-thirds of GDP and increased 2.6 percent. The increase in personal consumption was led by an increase of 6.3 percent in durable goods, the most significant in recreational goods and vehicles. Gross private domestic investment increased 4.5 percent, primarily in software and industrial equipment. Government spending was flat, with a small decrease in state and local government spending being offset with a minimal increase in Federal spending. Quarter-over-quarter exports increased by 2.2 percent and imports grew by 3.2 percent; net exports decreased the GDP compared to the third quarter of 2016.

Following a downturn in 2008 and 2009, the national economy has steadily expanded with moderate growth each year since 2009. The December 2017 Economic and Revenue Forecast of the Colorado Legislative Council observed that:

“The U.S. and Colorado economies are poised to continue to expand throughout the forecast period. Moderate consumer spending, strong business optimism, and an expanding global economy will support economic growth in the U.S. and Colorado. As the national and state labor markets tighten further, wage pressures are expected to rise, but will be partially offset by demographics. Consumer activity, similarly, will continue to be subdued by shifting consumption patterns across a growing share of retirees. Additionally, rising interest rates and rising household debt services payments will moderate spending.”

Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 52,800 from 2012 to 2016. International immigration slightly increased from approximately 10,400 (2012) to 10,600 (2016). Domestic migration from other states increased more significantly from 28,500 (2012) to 50,200 (2016). The information in the adjacent chart is based on current Colorado State Demographer estimates. The Demographer forecasts net population growth of 92,800 for 2017 and 91,600 for 2018, and the OSPB forecasts net migration of 48,000 for each of those two years, which indicates persistent immigration.

COMPONENTS OF COLORADO'S POPULATION CHANGE



According to the OSPB’s December 2017 *The Colorado Outlook*, “Colorado’s economic growth remains solid, with broad-based job growth and low unemployment. The more populated urban areas along the Front Range, with their greater economic diversity of growing industries, continue to outperform other areas of the state. However, the state’s strong expansion has led to higher costs of living and doing business, as well as among the tightest labor market conditions in the country. These factors have contributed to moderating growth, which is expected to continue through the forecast period.”

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

- Unemployment will average 2.8 percent for 2017 compared with 3.3 and 3.9 percent in 2016 and 2015, respectively, and it is expected to slightly increase in 2018 to 3.0 percent.
- Wages and salary income will increase by 5.7 percent in 2017, by 5.3 percent in 2018, and by 5.0 percent in 2019.
- Total personal income will increase by 5.4 percent in 2017, by 5.1 percent in 2018, and by 4.8 percent in 2019.
- Net migration is expected to be 48,000 in both 2017 and 2018, with total population growth of 1.4 percent in the same two years.
- Retail trade sales will increase by 4.8 percent in 2017 followed by an increase of 4.7 percent in 2018.
- Colorado inflation will be 3.0 percent in 2017 and 2.6 percent in 2018.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted, and the Governor signed, many bills during the 2017 Legislative Session. There were several areas of focus including education, transportation, healthcare, and water conservation. The following measures have a significant financial impact for Fiscal Year 2017-18:

- ◆ In accordance with the Public School Finance Act of 1994, the General Assembly appropriated an additional \$110.1 million of state funds to the Department of Education. This appropriation includes an increase of \$331.9 million from the General Fund and decreases totaling \$221.8 million in cash funds.
- ◆ The Department of Natural Resource was appropriated \$30.1 million from the Colorado Water Conservation Board (CWCB) Construction Fund to support various water resources planning and management projects and studies. Additionally, The CWCB was authorized to make loans in the amount of \$90.0 million from the CWCB Construction Fund to support the Windy Gap Firming Project, a regional water supply project which includes the construction of a new reservoir.
- ◆ The Department of Local Affairs was appropriated \$5.9 million from the Marijuana Tax Cash Fund for the newly created Gray and Black Market Marijuana Enforcement Grant Program. The crime-prevention program was created to provide business loans and grants in target communities.
- ◆ The General Assembly revised the method by which it transfers funds to the Highway Users Tax Fund (HUTF) and the Capital Construction Fund (CCF). A statute requiring transfers of amounts determined by a formula factoring General Fund collections was repealed. This method was replaced by transferring specific amounts determined by the General Assembly. The impact for Fiscal Year 2017-2018 is a reduction in transfers of approximately \$31.6 million for the HUTF and \$55.3 million for the CCF.
- ◆ The Colorado Healthcare Affordability and Sustainability Enterprise (Enterprise) was created within the Department of Health Care Policy and Financing. The Enterprise is responsible for the collection of the new Healthcare Affordability and Sustainability Fee, which replaces the Hospital Provider Fee. The fee is used for matching Federal funds for administration, reimbursements to hospitals, and business support purposes. Relative to the previous Hospital Provider Fee expenditures, Enterprise expenditures are expected to increase \$528.2 million in FY 2017-2018. Fifty percent of this increase will be from the Healthcare Affordability and Sustainability Fee Cash Fund and fifty percent will be from Federal funds.
- ◆ Beginning in Fiscal Year 2017-2018, retail (recreational) marijuana sales are exempted from the 2.9 percent sales tax assessed on the sale of tangible personal property and the rate of special sales tax on retail marijuana was increased from 8 percent to fifteen percent. The Fiscal Year 2017-2018, the estimated change in revenue relating to these changes are a reduction of \$30.1 million and an increase of \$70.0 million.

A-9

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 rollover 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 rollover 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. For instance, most federal funds are non-appropriated. 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 rollover 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 19).

In developing the State’s accounting system, consideration has been given to the adequacy of internal controls. The Office of the State Controller has adopted the “Standards for Internal Control in the Federal Government” (Green Book) as the state standard for internal controls. Internal 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, 2016. This was the twentieth 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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

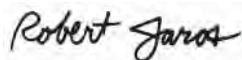
readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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, CPA, MBA, JD
Colorado State Controller

A-10

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Colorado

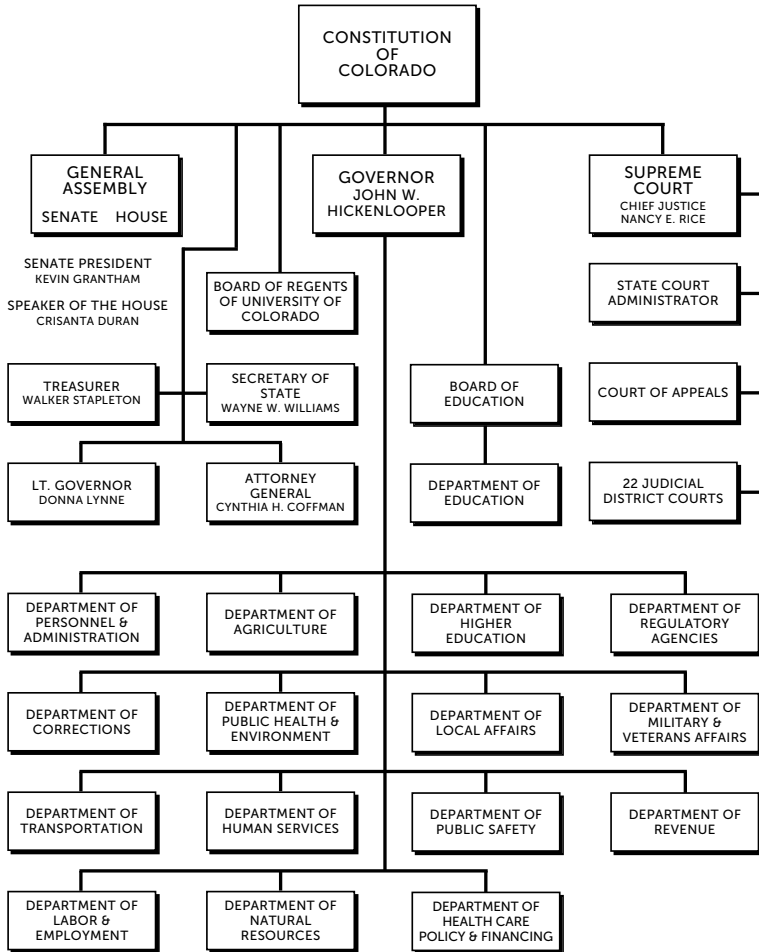
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



A-11

Financial Section



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



COLORADO
Office of the State Controller

Department of Personnel
& Administration



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, 2017, 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 1, 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 of Colorado Medicine, a blended component unit, which represents approximately 4 percent of the total assets, 20 percent of the net position, and 13 percent of the total revenues of Higher Education Institutions, a major proprietary fund, and



We Set the Standard for Good Government

approximately 3 percent of the total assets, 10 percent of the net position, and 10 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 of Colorado Medicine, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, the University of Northern Colorado Foundation, and the Denver Metropolitan Major League Stadium District, which are discretely presented component units, and University of Colorado Medicine, 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.

A-12

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Office of the State Auditor
Page 3

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, 2017, 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, 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 used in governmental activities, schedule of other funds detail, budget and actual schedules–budgetary basis non-appropriated, schedule of TABOR revenue and computations, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, budget and actual schedules–

A-13

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Office of the State Auditor
Page 4

budgetary basis non-appropriated, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

The combining and individual nonmajor fund financial statements, schedule of capital assets used in governmental activities, schedule of other funds detail, and schedule of TABOR revenue and computations 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 used in governmental activities, schedule of other funds detail, and schedule of TABOR revenue and computations 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 6, 2018, 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 6, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

Government-wide Financial Statements

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.

- Discretely presented component units are legally separate entities for which the State is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 86.

Fund-Level Financial Statements

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

- **Governmental Funds** – A large number of the State’s individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column with additional fund detail presented in the Supplementary section of this report. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is best suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds.
- **Proprietary Funds** – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the State’s Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds generally charge other State agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Position* because Internal Service Funds primarily serve governmental funds. The net revenue or net expense of Internal Service Funds is reported as an increase or reduction to program expenses on the government-wide *Statement of Activities*. On the fund-level statements, nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.
- **Fiduciary Funds** – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported are not available to finance the State’s programs, and therefore, these funds are not included in the government-wide statements. The State’s fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

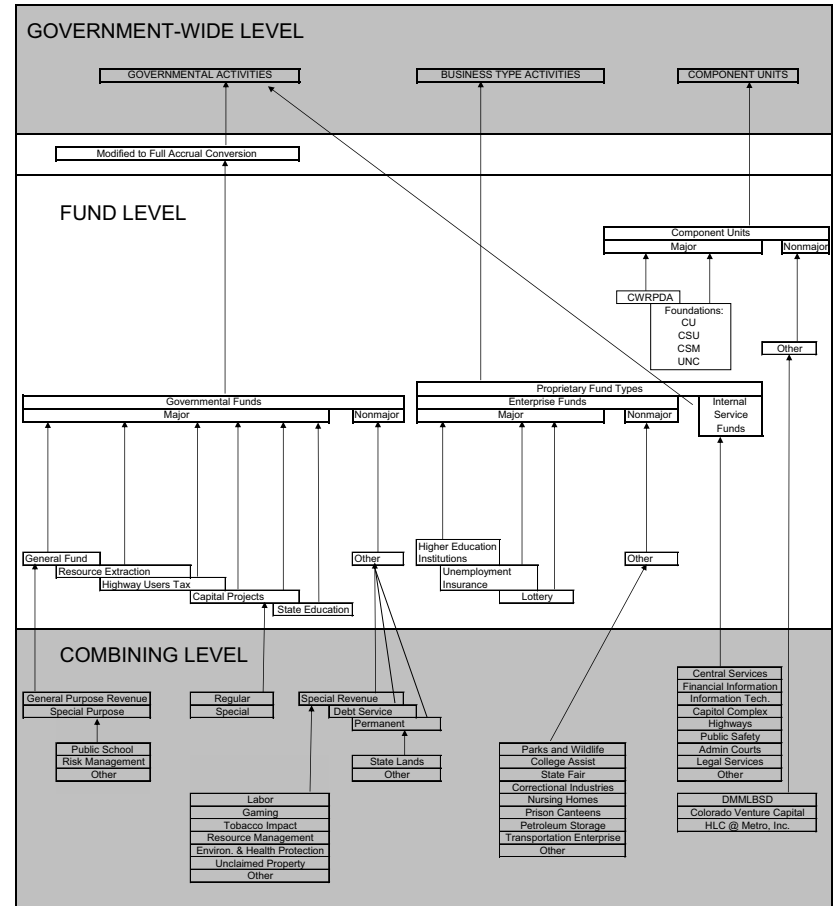
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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



OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Government-wide Statement of Net Position

Net position serves as a useful indicator of a government's financial position over time. The State's combined total net position of both governmental and business-type activities decreased from the prior fiscal year by \$2,293.5 million to \$13,277.4 million in Fiscal Year 2017. 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 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	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Noncapital Assets	\$ 9,106,572	\$ 9,179,140	\$ 6,836,651	\$ 6,585,468	\$ 15,943,223	\$ 15,764,608
Capital Assets	12,079,601	11,860,988	9,424,646	8,702,667	21,504,247	20,563,655
Total Assets	21,186,173	21,040,128	16,261,297	15,288,135	37,447,470	36,328,263
Deferred Outflow of Resources	3,503,643	818,761	2,332,443	649,853	5,836,086	1,468,614
Current Liabilities	2,757,026	2,698,094	1,477,080	1,555,522	4,234,106	4,253,616
Noncurrent Liabilities	13,127,007	8,438,154	12,340,280	9,150,755	25,467,287	17,588,909
Total Liabilities	15,884,033	11,136,248	13,817,360	10,706,277	29,701,393	21,842,525
Deferred Inflow of Resources	98,746	133,375	206,047	250,058	304,793	383,433
Net Investment in Capital Assets						
Assets	14,071,021	11,330,474	6,982,288	5,051,345	21,053,309	16,381,819
Restricted	2,995,554	3,236,095	1,801,184	1,664,396	4,796,738	4,900,491
Unrestricted	(8,359,538)	(3,977,303)	(4,213,139)	(1,734,088)	(12,572,677)	(5,711,391)
Total Net Position	\$ 8,707,037	\$ 10,589,266	\$ 4,570,333	\$ 4,981,653	\$ 13,277,370	\$ 15,570,919

The State's net investment in capital assets of \$21,053.3 million for governmental and business-type activities combined represents an increase of \$4,671.5 million compared to the prior fiscal year. Net investment in capital assets is a noncurrent asset and therefore not available to meet related debt service requirements that must be paid from current revenues or available liquid assets.

Assets restricted by the State Constitution or external parties account for another \$4,796.7 million, or 36.1 percent of net position. Restricted assets decreased by \$103.8 million relative to the prior fiscal year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, may not be available for use by any of the State's programs. Examples of restrictions on the use of net position include the constitutionally mandated TABOR reserve, State Education Fund, the Highway Users Tax Fund, and resources pledged to debt service.

The unrestricted component of total net position is a negative \$12,572.7 million for the fiscal year ended June 30, 2017, which represents a decrease of \$6,861.3 million from the prior fiscal year. The decrease is primarily due to the increase in the State's net pension liability of \$7,602.0 million from \$10,252.1 million in Fiscal Year 2016 to

\$17,854.1 million in Fiscal Year 2017, for which the state does not have any related assets. 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. 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 \$19.5 million primarily due to final payment of Department of Transportation Bonds that matured in December of 2016, and noncurrent liabilities increased by \$7,878.4 million from the prior fiscal year primarily due to the increase in net pension liability referred to above.

Governmental Activities:

Overall, assets and deferred outflows of resources of the State's governmental activities exceeded liabilities and deferred inflows of resources by \$8,707.0 million, a decrease in net position of \$1,882.2 million as compared to the prior fiscal year amount of \$10,589.3 million. Cash and restricted cash balances decreased by \$566.1 million. Taxes Receivable, net of refunds payable, increased by \$43.6 million, while investments and restricted investments increased by \$170.6 million. Capital assets, net of accumulated depreciation, increased by \$218.6 million due to various software projects throughout the State and the implementation of a new Medicaid Management Information system at the Department of Health Care Policy and Financing.

Governmental activities' liabilities for notes, bonds, and Certificates of Participation at June 30, 2017 were \$1,313.5 million as compared to the prior fiscal year amount of \$1,346.3 million. These liabilities represent 15.8 percent of financial assets (cash, receivables, and investments) and 6.2 percent of total assets of governmental activities (prior fiscal year percentages were 16.1 percent and 6.4 percent, respectively). The governmental activities debt is primarily related to infrastructure, State buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and State highway revenues; State building debt by gaming distributions and judicial fees; and public school buildings debt by School Trust Land revenues.

Governmental activities had an increase of \$2,740.5 million in net investment in capital assets attributable primarily to transportation projects, public school construction, and purchases of vehicles and equipment. Restricted net position for governmental activities decreased by \$240.5 million.

Business-Type Activities:

Overall, assets and deferred outflows of resources of the State's business-type activities were more than liabilities and deferred inflows of resources by \$4,570.3 million – a reduction in net position of \$411.3 million as compared to the prior year amount of \$4,981.7 million. The decrease was partly attributable to decreases in some current asset balances and an increase in the net pension liability for Fiscal Year 2017. Additionally, the aggregated business-type activities in the Other Enterprises Fund reported a \$105.8 million increase in net position attributable primarily to additional investments in capital assets.

The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total \$4,785.0 million as compared to the prior fiscal year amount of \$4,747.2 million – an increase of \$37.7 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.

Total net position for business-type activities was \$4,570.3 million, of which \$6,982.3 million was for investment in capital assets, and \$1,801.2 million restricted for the purposes of various funds which resulted in an unrestricted deficit of \$4,213.1 million. The unrestricted deficit is a result of the increase in the net pension liability for Fiscal Year 2017. Business-type activities reported a \$1,930.9 million increase in net investment in capital assets primarily due to continued capital investments being made by institutions of higher education and the Other Enterprise Funds. Restricted net position for business-type activities reported an increase of \$136.8 million from the prior fiscal year.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 \$1,973.9 million. Program revenues for governmental activities decreased by \$544.2 million (4.7 percent). General revenues for governmental activities increased by \$337.0 million (2.9 percent) due to increased tax collections. Expenses for governmental activities increased by \$1,502.3 million (6.5 percent) from the prior fiscal year due to the increase in accrued pension expense.

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

Programs/Functions	(Amounts in Thousands)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Program Revenues:						
Charges for Services	\$ 2,062,524	\$ 2,173,376	\$ 6,317,319	\$ 5,937,454	\$ 8,379,843	\$ 8,110,830
Operating Grants and Contributions	8,149,334	8,578,146	2,556,915	2,449,163	10,706,249	11,027,309
Capital Grants and Contributions	814,739	819,321	43,873	42,996	858,612	862,317
General Revenues:						
Taxes	10,649,318	10,346,832			10,649,318	10,346,832
Restricted Taxes	1,169,457	1,132,687			1,169,457	1,132,687
Unrestricted Investment Earnings	16,987	15,705			16,987	15,705
Other General Revenues	103,476	107,005			103,476	107,005
Total Revenues	22,965,835	23,173,072	8,918,107	8,429,613	31,883,942	31,602,685
Expenses:						
General Government	653,247	485,611			653,247	485,611
Business, Community, and Consumer Affa	919,676	777,458			919,676	777,458
Education	6,045,204	5,859,964			6,045,204	5,859,964
Health and Rehabilitation	1,170,889	2,898,841			1,170,889	2,898,841
Justice	2,974,666	2,209,158			2,974,666	2,209,158
Natural Resources	169,528	135,491			169,528	135,491
Social Assistance	10,489,419	8,825,599			10,489,419	8,825,599
Transportation	2,105,462	1,830,368			2,105,462	1,830,368
Payments to Other Governments			-	-		
Interest on Debt	58,764	62,021			58,764	62,021
Higher Education Institutions			7,829,889	6,446,902	7,829,889	6,446,902
Unemployment Insurance			518,891	531,607	518,891	531,607
Lottery			494,110	517,847	494,110	517,847
Parks and Wildlife			257,959	203,794	257,959	203,794
College Assist			315,478	320,774	315,478	320,774
Other Business-Type Activities			219,844	282,471	219,844	282,471
Total Expenses	24,586,855	23,084,511	9,636,171	8,303,395	34,223,026	31,387,906
Excess (Deficiency) Before Contributions, Transfers, and Other Items	(1,621,020)	88,561	(718,064)	126,218	(2,339,084)	214,779
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(353,647)	(352,733)	353,647	352,733	-	-
Internal Capital Contributions	-	(1,583)	-	10,183	-	8,600
Permanent Fund Additions	766	80	(808)	-	(42)	80
Total Contributions, Transfers, and Other Items	(352,881)	(354,236)	352,839	362,916	(42)	8,680
Total Changes in Net Position	(1,973,901)	(265,675)	(365,225)	489,134	(2,339,126)	223,459
Net Position - Beginning	10,589,266	10,796,794	4,981,653	4,497,828	15,570,919	15,294,622
Prior Period Adjustment (See Note 15A)	91,672	58,147	545	(5,309)	92,217	52,838
Accounting Changes (Note 15B)	-	-	(46,640)	-	(46,640)	-
Net Position - Ending	\$ 8,707,037	\$ 10,589,266	\$ 4,570,333	\$ 4,981,653	\$ 13,277,370	\$ 15,570,919

In the preceding table, business-type activities’ revenues and net transfers-in were less than expenses by \$365.2 million, resulting in a decrease in net position. From the prior year to the current year, program revenue from business-type activities increased by \$488.5 million and expenses increased by \$1,332.8 million due to the increase in accrued pension expense.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Including all prior period and accounting change adjustments, the net position decreased \$2,293.5 million, or 14.7 percent, from the prior year. This is primarily attributable to the increase in total expenses of \$2,835.1 due to the increase in accrued pension expense of \$2,654.4 million from \$420.3 million in Fiscal Year 2016 to \$3,076.5 million in Fiscal Year 2017.

FUND-LEVEL FINANCIAL ANALYSIS

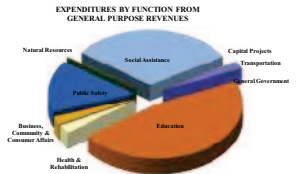
Governmental Funds:

Governmental fund assets exceeded liabilities resulting in total fund balance of \$6,363.5 million as compared to the prior fiscal year amount of \$6,609.4 million. The fund balance for all governmental funds decreased by \$245.9 million from the prior fiscal year which was comprised of decreases in the Resource Extraction Fund, the Highway Users Tax fund (HUTF), the Capital Projects Fund, and the State Education Fund, which were partially offset by increases in the General Fund and Other Governmental Funds. The fund balance of the General Fund increased by \$77.4 million compared to the prior fiscal year due primarily to increases in individual and sales and use tax collections. General Fund revenues increased by 0.1 percent and expenditures increased by 0.1 percent relative to the prior fiscal year, resulting in \$336.4 million excess of revenues over expenditures for Fiscal Year 2017. 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 temporarily reduced the reserve requirement from 6.5 percent to 5.6 percent for Fiscal Year 2016, which increased to 6.0 percent for Fiscal Year 2017. The General Purpose Revenue Fund had \$444.9 million on a GAAP basis to fund this reserve for Fiscal Year 2017. The fund balance of the Resource Extraction Fund decreased \$69.1 million due to declines in long-term loans receivables balances from the financing of local government water projects as compared to the prior year. The HUTF fund balance decreased by \$50.7 million due primarily to increases in capital outlay compared to the prior fiscal year. The Capital Projects Fund decreased by \$138.1 million due to a decrease in funding (transfer-in) from the General Purpose Revenue Fund. The State Education Fund decreased by \$202.3 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 four fiscal years following a one-time transfer of \$1.1 billion from the General Fund Surplus Fund in Fiscal Year 2013. The Other Governmental Funds increased by \$136.8 million, due primarily to revenue increases across all Special Revenue Funds combined with smaller relative increases in expenditures.

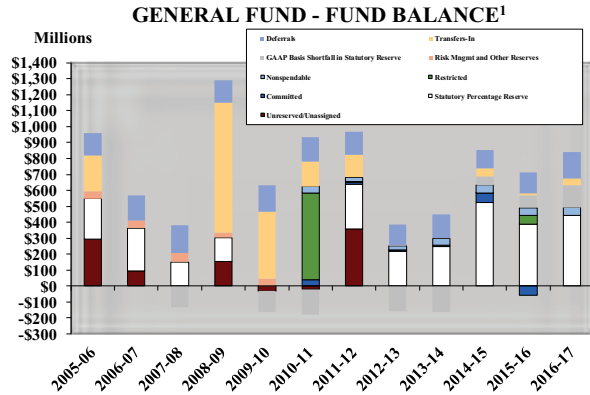
General Fund

The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was \$1,154.0 million.

With expenditures of the General Purpose Revenue Fund of the General Fund reported using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 80.2 percent of all Fiscal Year 2017 general-funded expenditures, which was consistent with the prior year. The Department of Education’s expenditures increased by \$286.4 million, or 8.2 percent, due to increased enrollment, required annual increases in funding, and provisions of the School Finance Act. The Department of Health Care Policy and Financing’s expenditures increased by \$52.2 million, or 2.1 percent, due to eligibility and funding changes that are occurring with the national Medicaid modernization efforts and growth in Medicaid populations. The Department of Higher Education’s expenditures increased by \$13.8 million, or 1.6 percent, related to the restoration of state funding to public institutions of higher education as well as student financial aid. The Department of Labor and Employment’s expenditures increased by \$13.8 million, or 177.5 percent, primarily due to the transfer of the Division of Vocational Rehabilitation from the Department of Human Services to the Department of Labor and Employment. The Department of Revenue’s expenditures decreased by \$69.7 million, or 25.4 percent; the Department of the Treasury’s expenditures increased by \$12.6 million, or 9.0 percent; and the Department of Corrections’ expenditures decreased by \$8.7 million, or 1.1 percent.



The chart below shows the changes in the major classifications of fund balance for the General Fund in accordance with generally accepted accounting principles (GAAP).



¹ Beginning in Fiscal Year 2011, 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.

A-19

General Fund Components & Legal Reserve Requirement

The General Fund is the focal point in determining the State’s ability to maintain or improve its financial position. The General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund, Risk Management, and Other Special Purpose Funds reside in the General Fund. These funds are referred to as Special Purpose General Funds, while the General Purpose Revenue Fund comprises general activities of the State. Revenues of the General Purpose Revenue Fund consist of two broad categories – general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. 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.

Of the overall fund balance of the General Fund, \$509.8 million (44.2 percent) was attributable to the General Purpose Revenue Fund, including non-spendable, restricted, committed, and assigned amounts. The General Purpose Revenue Fund increased by \$58.4 million from the prior fiscal year attributable to increases in tax collections during the year. In Fiscal Year 2017, the State was able to fund the General Fund Statutory Reserve of \$584.3 million on a budgetary basis, but was only able to reserve \$444.9 million on a GAAP basis. The shortfall of \$139.4 million in meeting the reserve on a GAAP basis was greater than the \$79.5 million shortfall in the prior year, despite the reserve requirement increasing by \$118.3 million. The General Purpose Revenue Fund’s \$54.1 million year-end unrestricted cash and pooled cash balance decreased by \$70.5 million from the prior year.

General Purpose revenues for Fiscal Years 2017 and 2016 were \$17,990.6 million and \$17,973.0 million, respectively, an increase of \$17.6 million, or 0.1 percent. Individual and fiduciary income taxes increased by \$216.0 million or 3.6 percent over the prior fiscal year. Sales and use taxes also increased by \$191.7 million or 6.6 percent over the prior fiscal year generally due to improving economic conditions. Federal grants and contracts decreased by \$338.4 million or 4.3 percent. Net corporate income taxes also decreased \$139.0 million or 22.9 percent due to weak earnings along with increase in corporate income tax refunds.



On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2017 and 2016 were \$9,969.3 million (see page 185) and \$9,637.7 million, respectively. For Fiscal Year 2017, total general-funded appropriations were limited to 5.0 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 \$644.2 million at June 30, 2017. This comprises the State Public School Fund, Risk Management activities and Other Special Purpose Funds.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in Fiscal Year 2003 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 2017, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved \$98.5 million of payroll, \$186.3 million of Medicaid, and \$0.6 million of OIT expenditures into Fiscal Year 2017. Revenues related to the deferral of the Medicaid expenditures totaling \$120.7 million were also deferred. In total, \$33.8 million more (net expenditure and revenue deferrals) was deferred into Fiscal Year 2017 compared to Fiscal Year 2016.

Statutes in effect for Fiscal Year 2017 require a 6.0 percent fund balance reserve of \$584.3 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by \$139.4 million. On a budgetary basis, there were deferrals of \$164.7 million of payroll, Medicaid, and other costs into Fiscal Year 2017. The deferrals and transfers-in have prevented shortfalls on a GAAP basis in each year except Fiscal Years 2006, 2007, 2009, and 2012, when adequate resources were available for a positive statutory reserve.

Resource Extraction Fund

The fund balance of the Resource Extraction Fund decreased by \$69.1 million, or 5.3 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 \$5.9 million, or 2.9 percent. 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, \$350.8 million, of the fund’s total fund balance of \$1,241.9 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 decreased by \$66.8 million, or 16.0 percent, compared to the prior fiscal year.

Highway Users Tax Fund

The fund balance of the Highway Users Tax Fund (HUTF) decreased by \$50.7 million (4.9 percent) from the prior Fiscal Year. Revenues, expenditures, and transfers-out were consistent with the prior fiscal year. Capital outlay increased \$42.0 million (98.1 percent) from the prior fiscal year due to the completion of several multi-year projects during Fiscal Year 2017. The decrease in fund balance was primarily attributable to a decrease of \$121.0 million for transfers-in compared to the prior fiscal year. In response to the economic downturn experienced in 2007-08, Senate

Bill 09-278 eliminated General Purpose Revenue Fund Surplus diversions to the HUTF. The transfer from the General Fund to the HUTF resumed in Fiscal Year 2017, which is the majority of the total transfers-in to the fund. The HUTF's total fund balance of \$980.7 million is almost entirely restricted (93.6 percent) due to provisions of the State constitution that require spending only for highway construction and maintenance. This restriction totals \$917.8 million at June 30, 2017.

Capital Projects Fund

The fund balance of the Capital Projects Fund decreased by \$138.1 million (35.8 percent) from the prior fiscal year primarily due to decreased funding from the General Purpose Revenue Fund. Transfers-in from the General Fund decreased from \$275.9 million in Fiscal Year 2016 to \$89.0 million in Fiscal Year 2017 (67.7 percent). Total expenditures of the fund were \$105.4 million in Fiscal Year 2017, an increase of \$13.5 million, or 14.7 percent as compared to the prior fiscal year. The increase in expenditures was primarily in capital outlay such as construction services and building and land purchases.

State Education Fund

The fund balance of the State Education Fund declined by \$202.3 million (66.5 percent) during Fiscal Year 2017. The fund balance has declined each year since Fiscal Year 2013, 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 \$540.0 million and was an overall increase of \$17.4 million relative to the prior fiscal year; an increase in revenues from individual and fiduciary income taxes of \$21.4 million combined with a decrease in corporate income taxes of \$4.0 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 \$718.4 million and \$886.1 million in Fiscal Year 2017 and 2016, respectively.

Proprietary Funds:

Higher Education Institutions

The net position of the Higher Education Institutions fund decreased from the prior fiscal year by \$679.4 million, or 22.5 percent, which includes the effect of a negative \$46.6 million prior period adjustment related to the implementation of GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets for the University of Colorado’s Alternate Medicare Plan. 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 \$170.9 million due to enrollment and tuition increases, and sales of goods and services increased by \$165.7 million from the provision of student health services, room and board, bookstore and athletics revenues. In addition, federal grants and contacts increased by \$29.8 million and other operating revenues increased by \$46.7 million. Investment income increased by \$183.2 million from the prior fiscal year due to favorable interest rate returns. Overall, total operating revenues increased by 7.1 percent while total operating expenses increased by 21.9 percent. Higher Education Institutions received capital contributions of \$40.4 million and \$43.7 million in Fiscal Years 2017 and 2016, respectively. Transfers-in to the Higher Education Institutions fund totaled \$408.6 million for Fiscal Year 2017, a decrease of \$10.3 million compared to the prior fiscal year. Transfers-in are primarily from the General Fund for student financial aid and vocational training and from the Capital Projects Fund for capital construction.

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) increased by \$168.8 million (22.5 percent). Unemployment benefits paid declined by \$20.1 million compared with a decline of \$5.0 million during the prior fiscal year. The change in benefits paid is mirrored by a decrease of \$3.9 million in federal grants received.

Unemployment insurance premiums collected increased \$42.6 million relative to the prior fiscal year due to an increase in rates. However, 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 did not reports bonds payable liability as of June 30, 2017. The fund’s cash and pooled cash balance was \$808.1 million, an increase of \$50.7 million, or 6.7 percent, compared to the prior fiscal year.

State Lottery

The net position of the State Lottery fund decreased by \$6.6 million, a decline of 31.9 percent from the prior fiscal year. Because of the requirement to distribute most of its income, the Lottery’s net position is minimal and changes nominally from year to year, except the portion related to pension liabilities. The State Lottery generated operating income of \$127.3 million for Fiscal Year 2017, which decreased from \$142.6 million reported in Fiscal Year 2016. The overall change represents a 10.7 percent decline in operating income. Sales of goods and services were \$555.3 million in Fiscal Year 2017, a decrease of \$39.1 million from the prior fiscal year amount of \$594.4 million. The Colorado Lottery’s overall sales performance for Fiscal Year 2017 was the third highest sales year in the Lottery’s thirty-five year history, with Fiscal Year 2016 total sales of \$594.4 million as all-time highest and Fiscal Year 2013 sales of \$566.3 million as the second highest. The drop in sales in Fiscal Year 2017 was mainly due to a decrease both in Powerball sales of \$42.1 million and in scratch sales of \$14.9 million. However, the introduction of the new jackpot and add-on games plus the addition of a midday draw for the Pick 3 jackpot game during Fiscal Year 2017 resulted in an increase of \$19.1 million in sales over the previous fiscal year, offsetting some of the decline.

TABOR Revenue, Debt, and Tax-Increase Limits

Fiscal Year 2017 is the twenty-fourth year of State operations under Article X, Section 20 of the State Constitution revenue limitations, also known as the Taxpayer Bill of Rights (TABOR). With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State’s population and inflation based on the Denver-Boulder-Greeley CPI-Urban index. The exceptions include revenues from federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the State to retain the surplus. In November 2005, voters approved a measure, commonly known as Referendum C, which was referred to the ballot by the legislature. Referendum C authorized the State to retain all revenues in excess of the TABOR limit for the five-year period from Fiscal Year 2006 through Fiscal Year 2010. Referendum C had additional provisions and effects that are discussed below.

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

The TABOR limits are calculated and applied at the statewide level. However, refunds to taxpayers related to TABOR have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations have historically been significant factors in the changing fiscal status of the State’s General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the TABOR limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and expended from the General Fund Exempt Account created in the General Fund by Referendum C.

In years when Referendum C was not in effect, the State’s ability to retain revenues was also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year’s revenue retention limit is calculated based on the lesser of the prior year’s revenues or the prior year’s limit. When revenues are below the limit, it results in a permanent loss of the State’s ability to retain current and

future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1997 through 2001, 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 2002 and 2003 and adjustments for inaccurate population estimates applied in Fiscal Year 2004 precluded TABOR refunds in those years. The State was required to refund \$41.1 million in Fiscal Year 2005.

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

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 2008, and the ratchet down provision does not apply to the ESRC.

For Fiscal Year 2017, State revenues subject to TABOR were \$12,891.7 million, which was \$436.2 million under the ESRC, and \$2,130.0 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 2017, total refunds were \$3,450.6 million since the inception of TABOR. At June 30, 2017, the State reported total TABOR refunds payable of \$21.8 million.

During Fiscal Year 2017, Fort Lewis College re-qualified as a TABOR-exempt enterprise, which resulted in a TABOR revenue decrease of \$19.4 million related to this change in the TABOR district. 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.

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 Years 2006 through 2010) authorized by Referendum C, and \$13,309.8 million from Fiscal Years 2011 through 2017 due to the increasing ESRC as compared to TABOR limit, for a total of \$16,903.4 million of retained Referendum C revenue.

Additional information on Tax, Spending, and Debt Limitations is found in Note 2B.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 185. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

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

- Department of Corrections – The department had a net decrease of \$8.2 million (1.1 percent) primarily comprised of a \$4.9 million decrease for community programs and external capacity sustainability.
- Department of Health Care Policy and Financing – The department had a net decrease of \$27.3 million (1.0 percent) primarily comprised of a \$12.1 million decrease for Medicaid funding and a \$13.2 million decrease for behavioral health payments.
- Colorado Judicial Branch – The department had a net increase of \$5.1 million (1.0 percent) primarily comprised of a \$25.3 million increase for appellate and trial court programs and a \$22.7 million decrease for personal services including health, life and dental costs.
- Department of Revenue – The department had a net increase of \$17.0 million (8.8 percent) primarily comprised of an increase of \$100.4 million for old age pension and a decrease of \$83.6 million for nonappropriated transfers to the marijuana tax cash fund.
- Department of Treasury – The department had a net decrease of \$6.7 million (4.2 percent) comprising a \$6.7 million decrease for senior citizen and disabled veteran property tax exemption.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled \$32.1 million for Fiscal Year 2017 including deficit fund balances. General-funded overexpenditures are discussed in detail in Note 2A on page 86 at the individual line item appropriation level.

In total, State departments reported general-funded appropriations reversions of \$114.8 million and \$9.5 million to the State Employee Reserve Fund. In addition, departments reverted \$37.7 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least \$1.0 million of general fund reversions.

- Department of Corrections – The department reverted \$1.9 million (0.2 percent) primarily comprised of \$0.5 million for vehicle lease payments and \$0.5 million for the purchase of medical services.
- Department of Health Care Policy and Financing – The department reverted \$93.3 million (3.6 percent) primarily comprised of \$73.4 million for medical and long-term care services for Medicaid eligible individuals and \$11.1 million for behavioral health payments.
- Department of Human Services – The department reverted \$5.3 million (0.6 percent) primarily comprised of \$1.4 million for home care allowance and home care allowance grants and \$0.8 million for services to indigent mentally ill clients.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

- Colorado Judicial Branch – The department reverted \$3.6 million (0.7 percent) primarily comprised of \$1.9 million for court costs, jury costs, and court appointed counsel.
- Department of Revenue – The department reverted \$5.3 million (2.5 percent) primarily comprised of \$4.1 million for old age heat, fuel and property tax assistance grants.
- Department of Treasury - The department reverted \$2.2 million (1.4 percent) for reimbursement to county treasurers.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State’s net investment in capital assets at June 30, 2017, was \$21.1 billion (\$16.4 billion in Fiscal Year 2016). Included in this amount were \$17.5 billion of depreciable capital assets after reduction for \$11.6 billion of accumulated depreciation. Also included was \$4.0 billion of land, construction in progress, and non-depreciable infrastructure and other assets. The State added \$940.6 million and \$849.1 million of capital assets in Fiscal Year 2017 and 2016, respectively. Of the Fiscal Year 2017 additions, \$218.6 million was recorded by governmental funds and \$722.0 million was recorded by business-type activities. General-purpose revenues funded \$84.5 million of capital and controlled maintenance expenditures during Fiscal Year 2017 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, 2017 and 2016, were (see Note 5 for additional detail):

	(Amounts in Millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Capital Assets Not Being Depreciated						
Land and Land Improvements	\$ 123	\$ 118	\$ 606	\$ 566	\$ 729	\$ 684
Collections	11	11	28	27	39	38
Other Capital Assets	2	2	16	15	18	17
Construction in Progress	927	757	1,215	1,006	2,142	1,763
Infrastructure	979	964	57	38	1,036	1,002
Total Capital Assets Not Being Depreciated	2,042	1,852	1,922	1,652	3,964	3,504
Capital Assets Being Depreciated						
Buildings and Related Improvements	3,288	3,226	9,726	9,076	13,014	12,302
Software	482	309	219	228	701	537
Vehicles and Equipment	945	908	1,150	1,083	2,095	1,991
Library Books, Collections, and Other Capital	43	43	581	561	624	604
Infrastructure	11,672	11,424	997	855	12,669	12,279
Total Capital Assets Being Depreciated	16,430	15,910	12,673	11,803	29,103	27,713
Accumulated Depreciation	(6,392)	(5,901)	(5,171)	(4,752)	(11,563)	(10,653)
Total	\$ 12,080	\$ 11,861	\$ 9,424	\$ 8,703	\$ 21,504	\$ 20,564

The State is constitutionally prohibited from issuing general obligation debt except to fund buildings for State use, to defend the State or the U.S. in time of war, or to provide for unforeseen revenue shortfalls. Except for exempt enterprises, TABOR requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. TABOR does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management’s ability to address revenue shortfalls by borrowing for capital expenditures. However, the State has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. 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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

	Fiscal Year 2016-17 (Amounts in Millions)							
	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	\$ 142.2	\$ 14.9	\$ -	\$ -	\$ 1,302.4	\$ 717.7	\$ 1,444.6	\$ 732.6
Business-Type Activities	49.9	8.4	4,391.1	2,944.0	346.8	94.4	\$ 4,787.8	\$ 3,046.8
Total	\$ 192.1	\$ 23.3	\$ 4,391.1	\$ 2,944.0	\$ 1,649.2	\$ 812.1	\$ 6,232.4	\$ 3,779.4

	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

For Fiscal Year 2017, the total principal amount of capital leases, revenue bonds, and COPs was 39.1 percent of noncapital assets, as compared to 39.6 percent in the prior year. This percentage declined because noncapital assets increased 1.1 percent while the principal amount of capital leases, revenue bonds, and COPs did not change significantly. The decrease in governmental activities was related to principal payments on the Department of Transportation’s Transportation Revenue Anticipation Notes (\$128.2 million) and the fact that there were no 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 \$1,138, \$1,159 (restated), \$1,203 (restated), \$1,200 and \$1,159 per person in Fiscal Years 2017, 2016, 2015, 2014 and 2013, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

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

- **Newly Created TABOR-Exempt Enterprise** – The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) was created within the Department of Health Care Policy and Financing. CHASE is responsible for the collection of the new Healthcare Affordability and Sustainability Fee, which replaces the Hospital Provider Fee. Because CHASE is an enterprise for purposes of the Taxpayer’s Bill of Rights (TABOR), its revenue does not count against the state Fiscal year spending limit (Referendum C cap) beginning in Fiscal Year 2018.
- **Public Employees Retirement Association Reforms** – In Fiscal Year 2017, the PERA Board took a more conservative approach to future market conditions by lowering the long-term rate of return expectation from 7.5 percent to 7.25 percent. In addition, based on an experience study conducted that showed PERA members are living longer and thus receiving benefits for a longer period, the Board adopted different mortality tables for each division. Further, based on GASB pension standards that require future benefit obligations to be measured at a lower discount rate when certain conditions exist, a change in the blended discount rate from 5.73 to 5.18 was applied. This change in the blended discount rate along with the changes in actuarial assumptions contributed to a significant increase in the net pension liability from \$10,252.1 million in Fiscal Year 2016 to \$17,779.4 million in Fiscal Year 2017. The funded ratio of the PERA State Division Trust Fund has gradually decreased from 73.3 percent in Fiscal Year 2007 to 42.6 percent in Fiscal Year 2017. Since Fiscal Year 2014, the PERA Judicial Division Trust Fund funded ratio

has also gradually decreased from 71.3 percent to 53.2 percent. In response to the continued decreases of funding ratios, both the Governor and the PERA board have put forth reform plans, and we expect other reform plan proposals. The PERA Board endorsed a comprehensive package of reforms designed to reduce the overall risk profile of the plan and to improve PERA's funded status. These changes include modifying of benefits of current retirees, members, and future members; increasing of employer and employee contributions into the fund; and ensuring the equitable alignment of contributions and service credit with the benefits paid out. Contributions would be made on gross pay rather than net pay, and the definition of full-time service accrual would be modified so that future PERA members earn service credit for part-time work based on the percentage of full-time employment actually worked. Any changes to PERA funding must be proposed and passed through the legislature and signed by the governor, and the issue will be thoroughly debated in future legislative sessions.

- Changes in Other Post-Employment Benefits (OPEB) Reporting – GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective beginning in Fiscal Year 2018. The standard will require, for purposes of governmental financial reporting, the State to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan) — the collective net OPEB liability. The State will also be required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. In addition, the standard will require additional footnote disclosures about the pension trust fund in the financial statements.
- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from TABOR and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2011 and by inflation thereafter. This requirement will have an increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.
- Cash Basis Accounting – For Fiscal Year 2003 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after Fiscal Year-end). During Fiscal Year 2008, similar treatment was extended to certain Old Age Pension, Medicare, and Children's Basic Health Plan expenditures. In Fiscal Year 2009, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the paydate shift beginning in Fiscal Year 2011 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities (\$120.7 million net of related deferred revenue in Fiscal Year 2017) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2012, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2013. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State's credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.
- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of \$54.1 million at June 30, 2017, providing apparent liquidity. The General Purpose Revenue Fund taxes receivable increased by \$73.9 million to \$1,509.5 million, tax refunds payable increased by \$44.9 million to \$837.8

million, and deferred inflows related to the tax receivables that are not expected to be collected within the next year increased by \$5.7 million to \$224.0 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 – In Fiscal Year 2011, the Bridge Enterprise within 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. Also, 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, 2017**

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 2,567,219	\$ 2,846,015	\$ 5,413,234	\$ 295,562
Investments	-	549,079	549,079	-
Taxes Receivable, net	1,325,689	125,258	1,450,947	-
Contributions Receivable, net	-	-	-	67,684
Other Receivables, net	717,660	490,427	1,208,087	81,376
Due From Other Governments	524,240	136,231	660,471	3,122
Internal Balances	26,262	(26,262)	-	-
Due From Component Units	154	23,041	23,195	-
Inventories	54,152	59,196	113,348	-
Prepays, Advances and Deposits	72,047	31,679	103,726	2,248
Total Current Assets	5,287,423	4,234,664	9,522,087	449,992
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,493,996	241,268	1,735,264	119,062
Restricted Investments	867,572	95,280	962,852	107,680
Restricted Receivables	587,580	38,605	626,185	1,600
Investments	255,069	2,097,484	2,352,553	2,717,708
Contributions Receivable, net	-	-	-	165,193
Other Long-Term Assets	614,932	129,350	744,282	932,330
Depreciable Capital Assets and Infrastructure, net	9,994,890	7,502,858	17,497,748	166,140
Land and Nondepreciable Capital Assets	2,041,812	1,921,788	3,963,600	25,393
Capital Assets Held as Investments	42,899	-	42,899	-
Total Noncurrent Assets	15,898,750	12,036,633	27,935,383	4,235,106
TOTAL ASSETS	21,186,173	16,261,297	37,447,470	4,685,098
DEFERRED OUTFLOW OF RESOURCES:				
	3,503,643	2,332,443	5,836,086	5,035
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	-	886,992	-
Accounts Payable and Accrued Liabilities	1,165,137	786,944	1,952,081	34,852
TABOR, Refund Liability (Note 2B)	21,807	-	21,807	-
Due To Other Governments	395,627	46,765	442,392	413
Due To Component Units	-	1,249	1,249	-
Unearned Revenue	126,307	328,261	454,568	-
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	-
Notes, Bonds, and COPs Payable	46,990	146,604	193,594	40,700
Other Current Liabilities	27,678	134,584	162,262	156,438
Total Current Liabilities	2,757,026	1,477,080	4,234,106	232,403
Noncurrent Liabilities:				
Deposits Held In Custody For Others	116	20	136	431,510
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	-
Derivative Instrument Liability	-	9,251	9,251	-
Notes, Bonds, and COPs Payable	1,266,507	4,638,363	5,904,870	529,800
Due to Component Units	-	1,678	1,678	-
Net Pension Liability	10,919,603	6,934,505	17,854,108	4,095
Other Postemployment Benefits	-	343,570	343,570	-
Other Long-Term Liabilities	407,912	15,863	423,775	111,541
Total Noncurrent Liabilities	13,127,007	12,340,280	25,467,287	1,076,946
TOTAL LIABILITIES	15,884,033	13,817,360	29,701,393	1,309,349
DEFERRED INFLOW OF RESOURCES:				
	98,746	206,047	304,793	321
NET POSITION:				
Net investment in Capital Assets:	14,071,021	6,982,288	21,053,309	191,607
Restricted for:				
Construction and Highway Maintenance	915,033	-	915,033	-
Education	107,012	504,096	611,108	-
Unemployment Insurance	-	911,183	911,183	-
Debt Service	79,966	28,429	108,395	-
Emergencies	194,369	34,000	228,369	-
Permanent Funds and Endowments:				
Expendable	7,643	165,637	173,280	1,298,784
Nonexpendable	1,020,225	91,878	1,112,103	1,018,297
Other Purposes	671,306	65,961	737,267	671,855
Unrestricted	(8,359,538)	(4,213,139)	(12,572,677)	199,920
TOTAL NET POSITION	\$ 8,707,037	\$ 4,570,333	\$ 13,277,370	\$ 3,380,463

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	\$ 672,846	\$ (19,599)	\$ 150,065	\$ 173,534	\$ 3,493
Business, Community, and Consumer Affairs	917,800	1,876	153,927	261,043	-
Education	6,043,870	1,334	25,089	608,961	-
Health and Rehabilitation	1,168,595	2,294	85,977	452,881	-
Justice	2,969,716	4,950	249,002	159,175	412
Natural Resources	168,574	954	135,170	41,674	-
Social Assistance	10,487,350	2,069	792,800	6,347,804	6
Transportation	2,103,572	1,890	470,494	104,262	810,828
Interest on Debt	58,764	-	-	-	-
Total Governmental Activities	24,591,087	(4,232)	2,062,524	8,149,334	814,739
Business-Type Activities:					
Higher Education	7,827,401	2,488	4,659,422	2,090,774	40,832
Unemployment Insurance	518,891	-	650,090	37,631	-
Lottery	493,588	522	556,231	315	-
Parks and Wildlife	257,232	727	161,370	34,704	3,041
College Assist	315,381	97	-	348,802	-
Other Business-Type Activities	219,446	398	290,206	44,689	-
Total Business-Type Activities	9,631,939	4,232	6,317,319	2,556,915	43,873
Total Primary Government	34,223,026	-	8,379,843	10,706,249	858,612
Component Units:					
Colorado Water Resources and Power Development Authority	44,137	-	28,982	47,069	-
University of Colorado Foundation	164,587	-	-	305,244	-
Colorado State University Foundation	52,909	-	-	137,012	-
Colorado School of Mines Foundation	31,720	-	1,900	51,169	-
University of Northern Colorado Foundation	10,789	-	-	15,426	-
Other Component Units	17,909	-	11,614	76	2,317
Total Component Units	\$ 322,051	\$ -	\$ 42,496	\$ 555,996	\$ 2,317

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
\$ (326,155)	\$ -	\$ (326,155)	
(504,706)	-	(504,706)	
(5,411,154)	-	(5,411,154)	
(632,031)	-	(632,031)	
(2,566,077)	-	(2,566,077)	
7,316	-	7,316	
(3,348,809)	-	(3,348,809)	
(719,878)	-	(719,878)	
(58,764)	-	(58,764)	
(13,560,258)	-	(13,560,258)	
-	(1,038,861)	(1,038,861)	
-	168,830	168,830	
-	62,436	62,436	
-	(58,844)	(58,844)	
-	33,324	33,324	
-	115,051	115,051	
-	(718,064)	(718,064)	
(13,560,258)	(718,064)	(14,278,322)	
-	-	-	31,914
-	-	-	140,657
-	-	-	84,103
-	-	-	21,349
-	-	-	4,637
-	-	-	(3,902)
-	-	-	278,758
General Revenues:			
Taxes:			
Sales and Use Taxes	3,151,679	-	3,151,679
Excise Taxes	321,419	-	321,419
Individual Income Tax	6,291,376	-	6,291,376
Corporate Income Tax	432,802	-	432,802
Other Taxes	452,042	-	452,042
Restricted for Education:			
Individual Income Tax	495,909	-	495,909
Corporate and Fiduciary Income Tax	44,091	-	44,091
Restricted for Transportation:			
Fuel Taxes	629,081	-	629,081
Other Taxes	376	-	376
Unrestricted Investment Earnings (Losses)	16,987	-	16,987
Other General Revenues	103,476	-	103,476
Special Items	-	(808)	(808)
(Transfers-Out) / Transfers-In	(353,647)	353,647	-
Permanent Fund Additions	766	-	766
Total General Revenues, Special Items, and Transfers	11,586,357	352,839	11,939,196
Change in Net Position	(1,973,901)	(365,225)	(2,339,126)
Net Position - Fiscal Year Beginning	10,589,266	4,981,653	15,570,919
Prior Period Adjustment (See Note 15A)	91,672	545	92,217
Accounting Changes (See Note 15B)	-	(46,640)	(46,640)
Net Position - Fiscal Year Ending	\$ 8,707,037	\$ 4,570,333	\$ 13,277,370

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

A-26

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	\$ 212,527	\$ 779,973	\$ 65,115
Taxes Receivable, net	1,509,492	9,668	-
Other Receivables, net	614,577	21,522	3,416
Due From Other Governments	467,442	10,387	-
Due From Other Funds	86,167	17,070	5,037
Due From Component Units	154	-	-
Inventories	8,503	35,114	9,334
Prepays, 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	-	-
Other Long-Term Assets	709	350,796	9,793
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	\$ 3,396,865	\$ 1,349,358	\$ 1,268,638
DEFERRED OUTFLOW OF RESOURCES:			
	677	-	-
LIABILITIES:			
Tax Refunds Payable	\$ 837,817	46,651	\$ 2,255
Accounts Payable and Accrued Liabilities	757,304	16,983	217,069
TABOR Refund Liability (Note 2B)	21,807	-	-
Due To Other Governments	305,422	33,727	34,317
Due To Other Funds	50,088	481	1,565
Unearned Revenue	26,224	9,651	31,207
Claims and Judgments Payable	282	-	8
Other Current Liabilities	18,478	-	32
Deposits Held In Custody For Others	1	-	-
TOTAL LIABILITIES	2,017,423	107,493	286,453
DEFERRED INFLOW OF RESOURCES:			
	226,101	2	1,465
FUND BALANCES:			
Nonspendable:			
Inventories	8,503	35,114	9,334
Permanent Fund Principal	-	-	-
Prepays	39,348	16,677	679
Restricted	442,249	79,173	917,778
Committed	646,700	1,110,899	52,929
Assigned	17,218	-	-
TOTAL FUND BALANCES	1,154,018	1,241,863	980,720
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 3,397,542	\$ 1,349,358	\$ 1,268,638

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 251,174	\$ -	\$ 1,220,272	\$ 2,529,061
-	-	33,487	1,552,647
1,140	-	76,093	716,748
1,959	-	44,397	524,185
10	-	7,689	115,973
-	-	-	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
\$ 261,595	\$ 118,291	\$ 2,868,029	\$ 9,262,776
-	-	-	677
\$ -	\$ -	\$ 269	\$ 886,992
11,262	16,160	114,285	1,133,063
-	-	-	21,807
-	-	22,161	395,627
2,042	-	35,059	89,235
-	-	53,558	120,640
-	-	89	379
167	-	4,646	23,323
-	-	115	116
13,471	16,160	230,182	2,671,182
-	-	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
244,688	-	1,269,399	3,324,615
-	-	-	17,218
248,124	102,131	2,636,647	6,363,503
\$ 261,595	\$ 118,291	\$ 2,868,029	\$ 9,263,453

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2017**

	(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	\$ 2,520,061	\$ 38,152	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ 2,567,219
Taxes Receivable, net	1,352,647	-	-	-	-	(226,958)	-	1,325,689
Other Receivables, net	716,748	912	-	-	-	-	-	717,660
Due From Other Governments	524,185	55	-	-	-	-	-	524,240
Due From Other Funds	115,973	1,804	-	-	-	-	(117,777)	-
Internal Balances	-	-	-	-	-	-	26,262	26,262
Due From Component Units	154	-	-	-	-	-	-	154
Inventories	53,282	870	-	-	-	-	-	54,152
Prepays, Advances and Deposits	67,146	4,901	-	-	-	-	-	72,047
Total Current Assets	5,359,196	46,694	-	-	-	(226,952)	(91,515)	5,287,423
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
Other Long-Term Assets	387,073	-	-	-	-	227,859	-	614,932
Depreciable Capital Assets and Infrastructure, net	-	137,584	9,857,306	-	-	-	-	9,994,890
Land and Nondepreciable Capital Assets	-	910	2,040,902	-	-	-	-	2,041,812
Capital Assets Held as Investments	112,290	-	(69,391)	-	-	-	-	42,899
Total Noncurrent Assets	3,703,580	138,494	11,828,817	-	-	227,859	-	15,898,750
TOTAL ASSETS	9,262,776	185,188	11,828,817	-	-	907	(91,515)	21,186,173
DEFERRED OUTFLOW OF RESOURCES:	677	211,672	-	3,291,294	-	-	-	3,503,643
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	886,992	-	-	-	-	-	-	886,992
Accounts Payable and Accrued Liabilities	1,133,063	24,476	-	7,338	-	-	260	1,165,137
TABOR Refund Liability (Note 2B)	21,807	-	-	-	-	-	-	21,807
Due To Other Governments	395,627	-	-	-	-	-	-	395,627
Due To Other Funds	89,235	2,540	-	-	-	-	(91,775)	-
Unearned Revenue	120,640	5,840	-	-	-	(173)	-	126,307
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
Notes, Bonds, and COPs Payable	-	-	-	46,990	-	-	-	46,990
Other Current Liabilities	23,223	54	-	-	-	4,301	-	27,678
Total Current Liabilities	2,671,066	54,855	-	61,125	37,488	24,007	(91,515)	2,757,026
Noncurrent Liabilities:								
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
Notes, Bonds, and COPs Payable	-	-	-	1,266,507	-	-	-	1,266,507
Net Pension Liability	-	646,191	-	-	-	10,273,412	-	10,919,603
Other Long-Term Liabilities	-	-	-	-	-	407,912	-	407,912
Total Noncurrent Liabilities	116	737,264	-	1,298,972	120,791	10,969,864	-	13,127,007
TOTAL LIABILITIES	2,671,182	792,119	-	1,360,097	158,279	10,993,871	(91,515)	15,884,033
DEFERRED INFLOW OF RESOURCES:	228,768	5,855	-	-	-	(135,877)	-	98,746
NET POSITION:								
Net Investment in Capital Assets:	112,288	35,601	11,828,817	2,094,315	-	-	-	14,071,021
Restricted for:								
Construction and Highway Maintenance	915,033	-	-	-	-	-	-	915,033
Education	107,012	-	-	-	-	-	-	107,012
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	671,306	-	-	-	-	-	-	671,306
Unrestricted	3,255,661	(436,715)	-	(163,118)	(158,279)	(10,857,087)	-	(8,359,538)
TOTAL NET POSITION	\$ 6,363,503	\$ (401,114)	\$ 11,828,817	\$ 1,931,197	\$ (158,279)	\$ (10,857,087)	\$ -	\$ 8,707,037

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	\$ 6,208,993	\$ -	\$ -
Corporate Income	467,411	-	-
Sales and Use	3,085,580	-	-
Excise	102,784	-	629,082
Other Taxes	291,107	64,949	376
Licenses, Permits, and Fines	31,883	3,039	392,445
Charges for Goods and Services	74,027	6,653	143,666
Rents	262	-	3,037
Investment Income (Loss)	18,957	13,779	2,769
Federal Grants and Contracts	7,554,003	109,964	843,438
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	242,150	2,939	67,782
TOTAL REVENUES	18,077,157	201,323	2,082,595
EXPENDITURES:			
Current:			
General Government	228,874	-	62,984
Business, Community, and Consumer Affairs	161,079	8,172	-
Education	788,499	-	-
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	1,355,135	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	17,740,732	218,731	2,213,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	336,425	(17,408)	(130,785)
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,171,116	4,711	83,715
Transfers-Out	(4,435,958)	(56,380)	(148,017)
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
TOTAL OTHER FINANCING SOURCES (USES)	(258,989)	(51,669)	80,084
NET CHANGE IN FUND BALANCES	77,436	(69,077)	(50,701)
FUND BALANCE, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421
Prior Period Adjustment (See Note 15A)	-	-	-
FUND BALANCE, FISCAL YEAR END	\$ 1,154,018	\$ 1,241,863	\$ 980,720

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
\$ -	\$ 498,112	\$ -	\$ 6,707,105
-	41,888	-	509,299
-	-	64,306	3,149,886
-	-	217,326	949,192
1,632	-	161,570	519,634
5	-	409,910	837,282
-	-	787,038	1,011,384
-	-	129,013	132,312
365	1,450	8,685	46,005
10,996	-	166,935	8,685,336
-	-	766	766
-	-	63,663	63,663
14	187	25,023	338,095
13,012	541,637	2,034,235	22,949,959
24,309	-	27,280	343,447
1,641	-	282,157	453,049
1,330	47,476	32,075	869,380
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
-	-	100,791	1,740,305
-	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	2,014,965	23,011,611
(92,386)	(176,768)	19,270	(61,652)
99,088	25,321	413,464	4,797,415
(145,894)	(50,862)	(305,824)	(5,142,935)
-	-	-	128,665
-	-	-	13,878
-	-	-	891
-	-	15,086	15,081
1,122	-	2	7,934
(45,684)	(25,541)	122,728	(179,071)
(138,070)	(202,309)	141,998	(240,723)
386,194	304,440	2,499,848	6,609,425
-	-	(5,199)	(5,199)
\$ 248,124	\$ 102,131	\$ 2,636,647	\$ 6,363,503

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES RECONCILED TO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	(A)	(B)	(C)	(D)		
	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	\$ 6,707,105	\$ -	\$ -	\$ -	\$ 28,586	\$ 6,735,691
Corporate Income	509,299	-	-	-	(34,609)	474,690
Sales and Use	3,149,886	-	-	-	1,792	3,151,678
Excise	949,192	-	-	-	1,309	950,501
Other Taxes	519,634	-	-	-	19,089	538,723
Licenses, Permits, and Fines	837,282	-	-	-	162	837,444
Charges for Goods and Services	1,011,384	-	-	-	(1)	1,011,383
Rents	132,312	-	-	-	-	132,312
Investment Income (Loss)	46,305	(164)	-	-	(164)	45,977
Federal Grants and Contracts	8,685,336	-	-	-	-	8,685,336
Additions to Permanent Funds	766	-	-	-	-	766
Unclaimed Property Receipts	63,663	-	-	-	-	63,663
Other	338,095	-	-	-	1,237	339,332
TOTAL REVENUES	22,949,959	(164)	-	-	17,402	22,967,197
EXPENDITURES:						
Current:						
General Government	343,447	19,825	18,710	-	120,645	502,627
Business, Community, and Consumer Affairs	453,049	20,616	2,595	-	132,646	608,906
Education	859,380	1,013	36,325	-	56,622	963,540
Health and Rehabilitation	769,738	6,397	11,575	-	250,575	1,038,285
Justice	1,705,108	15,490	47,021	-	904,478	2,672,097
Natural Resources	113,303	8,308	2,189	-	42,119	165,919
Social Assistance	9,358,142	38,655	12,678	-	78,078	9,487,553
Transportation	1,364,036	7,558	373,066	-	181,061	1,925,721
Capital Outlay	188,825	-	(689,868)	-	-	(501,043)
Intergovernmental:						
Cities	491,175	-	-	-	-	491,175
Counties	1,740,305	-	-	-	-	1,740,305
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	2,313	-	(178,778)	-	62,241
TOTAL EXPENDITURES	23,011,611	120,175	(185,509)	(178,778)	1,766,224	24,533,723
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,652)	(120,339)	185,509	178,778	(1,748,822)	(1,566,526)
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,797,415	6,183	-	-	-	4,803,598
Transfers-Out	(5,142,935)	(5,395)	-	-	-	(5,148,330)
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
TOTAL OTHER FINANCING SOURCES (USES)	(179,071)	788	(83,563)	(142,051)	-	(403,897)
Internal Service Fund Charges to BTAs	-	(3,478)	-	-	-	(3,478)
NET CHANGE FOR THE YEAR	(240,723)	(123,029)	101,946	36,727	(1,748,822)	(1,973,901)
Prior Period Adjustment (See Note 15A)	(5,199)	-	-	-	96,871	91,672
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	\$ (245,922)	\$ (123,029)	\$ 101,946	\$ 36,727	\$ (1,651,951)	\$ (1,882,229)

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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	\$ 1,288,490	\$ 808,093
Investments	548,376	-
Premiums Receivable, net	-	125,258
Student and Other Receivables, net	438,087	2,997
Due From Other Governments	113,175	6,852
Due From Other Funds	11,140	1
Due From Component Units	23,041	-
Inventories	38,742	-
Prepays, Advances and Deposits	20,820	-
Total Current Assets	2,481,871	943,201
Noncurrent Assets:		
Restricted Cash and Pooled Cash	149,688	-
Restricted Investments	95,200	-
Restricted Receivables	-	-
Investments	2,065,149	-
Other Long-Term Assets	127,364	-
Depreciable Capital Assets and Infrastructure, net	6,386,101	7,575
Land and Nondepreciable Capital Assets	1,258,806	-
Total Noncurrent Assets	10,082,388	7,575
TOTAL ASSETS	12,564,259	950,776
DEFERRED OUTFLOW OF RESOURCES:		
	2,080,339	12,029
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	702,004	1,263
Due To Other Governments	-	1
Due To Other Funds	4,807	-
Due To Component Units	1,249	-
Unearned Revenue	274,681	-
Compensated Absences Payable	23,861	-
Leases Payable	6,817	-
Notes, Bonds, and COPs Payable	145,564	-
Other Current Liabilities	80,056	15,510
Total Current Liabilities	1,239,029	16,774
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	-
Derivative Instrument Liability	9,251	-
Notes, Bonds, and COPs Payable	4,110,915	-
Due to Component Units	1,678	-
Net Pension Liability	6,151,824	27,049
Other Postemployment Benefits	343,570	-
Other Long-Term Liabilities	15,832	-
Total Noncurrent Liabilities	11,013,781	27,049
TOTAL LIABILITIES	12,252,820	43,823
DEFERRED INFLOW OF RESOURCES:		
	49,191	224
NET POSITION:		
Net Investment in Capital Assets:	5,526,513	7,575
Restricted for:		
Education	504,096	-
Unemployment Insurance	-	911,183
Debt Service	10,160	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	165,637	-
Nonexpendable	91,878	-
Other Purposes	-	-
Unrestricted	(3,955,697)	-
TOTAL NET POSITION	\$ 2,342,587	\$ 918,758

**BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS**

STATE LOTTERY	OTHER ENTERPRISES	TOTAL	
ASSETS:			
Current Assets:			
Cash and Pooled Cash	\$ 47,468	\$ 701,964	\$ 2,846,015
Investments	-	703	549,079
Premiums Receivable, net	-	-	125,258
Student and Other Receivables, net	21,153	28,190	490,427
Due From Other Governments	-	16,204	136,231
Due From Other Funds	-	4,968	16,109
Due From Component Units	-	-	23,041
Inventories	1,446	19,008	59,196
Prepays, Advances and Deposits	4,496	6,363	31,679
Total Current Assets	74,563	777,400	4,277,035
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	91,580	241,268
Restricted Investments	-	-	95,200
Restricted Receivables	-	38,605	38,605
Investments	-	32,335	2,097,484
Other Long-Term Assets	-	1,986	129,350
Depreciable Capital Assets and Infrastructure, net	286	1,108,896	7,502,858
Land and Nondepreciable Capital Assets	-	662,982	1,921,788
Total Noncurrent Assets	286	1,936,384	12,026,633
TOTAL ASSETS	74,849	2,713,784	16,303,668
DEFERRED OUTFLOW OF RESOURCES:			
	12,888	227,187	2,332,443
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,173	54,844	761,284
Due To Other Governments	41	46,723	46,765
Due To Other Funds	32,743	9,111	46,661
Due To Component Units	-	-	1,249
Unearned Revenue	-	53,580	328,261
Compensated Absences Payable	1	1,519	25,381
Leases Payable	-	475	7,292
Notes, Bonds, and COPs Payable	-	1,040	146,604
Other Current Liabilities	35,576	3,442	134,584
Total Current Liabilities	71,534	170,734	1,498,081
Noncurrent Liabilities:			
Due to Other Funds	-	21,370	21,370
Deposits Held In Custody For Others	-	20	20
Accrued Compensated Absences	750	12,232	317,070
Claims and Judgments Payable	-	-	37,361
Capital Lease Payable	-	3,337	42,599
Derivative Instrument Liability	-	-	9,251
Notes, Bonds, and COPs Payable	-	527,448	4,638,363
Due to Component Units	-	-	1,678
Net Pension Liability	41,111	714,521	6,934,505
Other Postemployment Benefits	-	-	343,570
Other Long-Term Liabilities	31	-	15,863
Total Noncurrent Liabilities	41,892	1,278,928	12,361,650
TOTAL LIABILITIES	113,426	1,449,662	13,859,731
DEFERRED INFLOW OF RESOURCES:			
	1,427	155,205	206,047
NET POSITION:			
Net Investment in Capital Assets:	286	1,447,914	6,982,288
Restricted for:			
Education	-	-	504,096
Unemployment Insurance	-	-	911,183
Debt Service	-	18,269	28,429
Emergencies	-	34,000	34,000
Permanent Funds and Endowments:			
Expendable	-	-	165,637
Nonexpendable	-	-	91,878
Other Purposes	-	65,961	65,961
Unrestricted	(27,402)	(230,040)	(4,213,139)
TOTAL NET POSITION	\$ (27,116)	\$ 1,336,104	\$ 4,570,333

**GOVERNMENTAL
ACTIVITIES**

INTERNAL SERVICE FUNDS	
ASSETS:	
Current Assets:	
Cash and Pooled Cash	\$ 38,152
Investments	-
Premiums Receivable, net	-
Student and Other Receivables, net	912
Due From Other Governments	55
Due From Other Funds	1,804
Due From Component Units	-
Inventories	870
Prepays, Advances and Deposits	4,901
Total Current Assets	46,694
Noncurrent Assets:	
Restricted Cash and Pooled Cash	-
Restricted Investments	-
Restricted Receivables	-
Investments	-
Other Long-Term Assets	-
Depreciable Capital Assets and Infrastructure, net	137,584
Land and Nondepreciable Capital Assets	910
Total Noncurrent Assets	138,494
TOTAL ASSETS	185,188
DEFERRED OUTFLOW OF RESOURCES:	
	211,672
LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	24,476
Due To Other Governments	-
Due To Other Funds	2,540
Due To Component Units	-
Unearned Revenue	5,840
Compensated Absences Payable	488
Leases Payable	21,457
Notes, Bonds, and COPs Payable	-
Other Current Liabilities	54
Total Current Liabilities	54,855
Noncurrent Liabilities:	
Due to Other Funds	-
Deposits Held In Custody For Others	-
Accrued Compensated Absences	9,639
Claims and Judgments Payable	-
Capital Lease Payable	-
Derivative Instrument Liability	-
Notes, Bonds, and COPs Payable	-
Due to Component Units	-
Net Pension Liability	646,191
Other Postemployment Benefits	-
Other Long-Term Liabilities	-
Total Noncurrent Liabilities	737,264
TOTAL LIABILITIES	792,119
DEFERRED INFLOW OF RESOURCES:	
	5,855
NET POSITION:	
Net Investment in Capital Assets:	35,601
Restricted for:	
Education	-
Unemployment Insurance	-
Debt Service	-
Emergencies	-
Permanent Funds and Endowments:	
Expendable	-
Nonexpendable	-
Other Purposes	-
Unrestricted	(436,715)
TOTAL NET POSITION	\$ (401,114)

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

**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	2,936,317	-
Scholarship Allowance for Tuition and Fees	(619,032)	-
Sales of Goods and Services	2,192,564	-
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	20,232
Intergovernmental Revenue	7,566	-
Other	406,623	-
TOTAL OPERATING REVENUES	6,004,325	666,679
OPERATING EXPENSES:		
Salaries and Fringe Benefits	5,508,651	21,095
Operating and Travel	1,533,465	493,744
Cost of Goods Sold	136,716	-
Depreciation and Amortization	423,358	2,379
Intergovernmental Distributions	32,778	-
Debt Service	-	-
Prizes and Awards	440	-
TOTAL OPERATING EXPENSES	7,635,408	517,218
OPERATING INCOME (LOSS)	(1,631,083)	149,461
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	1,479	3,643
Investment Income (Loss)	231,195	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	133	-
Insurance Recoveries from Prior Year Impairments	488	-
Debt Service	(163,595)	(1,674)
Other Expenses	(1,731)	-
Other Revenues	18,067	-
TOTAL NONOPERATING REVENUES (EXPENSES)	555,657	19,369
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,075,426)	168,830
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	40,371	-
Special Items	(808)	-
Transfers-In	408,584	-
Transfers-Out	(5,440)	(18)
TOTAL CONTRIBUTIONS AND TRANSFERS	442,707	(18)
CHANGE IN NET POSITION	(632,719)	168,812
NET POSITION - FISCAL YEAR BEGINNING	3,021,946	749,946
Prior Period Adjustments (See Note 15A)	-	-
Accounting Changes (See Note 15B)	(46,640)	-
NET POSITION - FISCAL YEAR ENDING	\$ 2,342,587	\$ 918,758

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
\$ -	\$ -	\$ 646,337	\$ -
64	126,583	126,757	-
-	1,673	2,937,990	-
-	-	(619,032)	-
555,334	224,072	2,971,970	354,891
-	-	(24,179)	-
-	5,434	6,978	-
-	2,675	18,692	15,353
-	-	42,706	-
-	427,686	1,492,117	-
-	26,748	34,314	-
834	9,217	416,674	836
556,232	824,088	8,051,324	371,080
15,941	335,700	5,881,387	331,103
58,283	408,826	2,494,318	145,333
12,979	31,759	181,454	-
197	32,286	458,220	28,864
-	12,783	45,561	1
-	13,024	13,024	-
341,519	1,028	342,987	3
428,919	835,406	9,416,951	505,304
127,313	(11,318)	(1,365,627)	(134,224)
-	38,423	38,423	-
-	648	5,770	3
315	3,653	252,562	(164)
-	13,052	26,484	-
-	1,447	223,024	-
(64,464)	-	(90,025)	-
-	-	260,174	-
(8)	60,386	60,511	10,471
-	2,871	3,359	315
-	(10,305)	(175,574)	(2,311)
-	(4,744)	(6,475)	-
-	-	18,067	-
(64,157)	105,431	616,300	8,314
63,156	94,113	(749,327)	(125,910)
-	1,072	41,443	2,093
-	-	(808)	-
-	18,031	426,615	6,183
(69,714)	(7,976)	(83,148)	(5,395)
(69,714)	11,127	384,102	2,881
(6,558)	105,240	(365,225)	(123,029)
(20,558)	1,230,319	4,981,653	(278,085)
-	545	545	-
-	-	(46,640)	-
\$ (27,116)	\$ 1,336,104	\$ 4,570,333	\$ (401,114)

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	\$ 2,347,814	\$ -
Fees for Service	2,258,475	6,158
Receipts for Interfund Services	-	-
Sales of Products	69,118	527
Gifts, Grants, and Contracts	1,527,892	17,985
Loan and Note Repayments	514,939	-
Unemployment Insurance Premiums	-	647,563
Income from Property	29,449	1
Other Sources	157,436	-
Cash Payments to or for:		
Employees	(4,353,132)	(12,192)
Suppliers	(1,472,571)	(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	(486,119)	-
Other Governments	(32,778)	-
Other	(118,253)	(3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	329,865	160,648
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	3,192,090	12
Transfers-Out	(2,920,242)	(31)
Receipt of Deposits Held in Custody	590,021	-
Release of Deposits Held in Custody	(587,146)	(12)
Gifts and Grants for Other Than Capital Purposes	221,347	-
Intergovernmental Distributions	(25,561)	-
NonCapital Debt Proceeds	130,892	239
NonCapital Debt Service Payments	(162,092)	(638)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	439,309	(430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(890,432)	(57)
Capital Contributions	107,758	-
Capital Gifts, Grants, and Contracts	15,883	-
Proceeds from Sale of Capital Assets	34,273	-
Capital Debt Proceeds	214,313	125,603
Capital Debt Service Payments	(358,109)	(252,481)
Capital Lease Payments	(18,967)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(895,281)	(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	\$ 2,349,408	\$ -
-	279,074	2,543,707	4,892
-	9,002	9,002	354,833
555,334	64,742	689,721	1,344
-	446,243	1,992,120	395
-	-	514,939	-
-	-	647,563	-
-	16,820	46,270	15,350
898	88,681	247,015	3,715
(9,691)	(218,802)	(4,593,817)	(206,363)
(29,259)	(168,386)	(1,680,152)	(113,759)
(381)	(5,125)	(5,506)	(40,366)
(384,906)	(7,414)	(392,320)	(605)
-	-	(489,455)	-
-	-	(112,405)	-
-	-	(486,119)	-
-	(13,142)	(45,920)	(1)
(700)	(304,507)	(423,463)	(99)
131,295	188,780	810,588	19,336
703	43,667	3,236,472	6,831
(70,417)	(31,172)	(3,021,862)	(6,043)
-	1,054	591,075	200
-	(1,053)	(588,211)	(417)
-	1,147	222,494	-
(64,464)	-	(90,025)	-
-	3,132	134,263	172
-	(3,678)	(166,408)	(172)
(134,178)	13,097	317,798	571
(52)	(321,619)	(1,212,160)	(133,096)
-	-	107,758	-
-	-	15,883	-
-	190,803	225,076	129,437
-	171,842	511,758	-
-	(10,153)	(620,743)	(54)
-	(606)	(19,573)	(24,043)
(52)	30,267	(992,001)	(27,756)

(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	106,422	17,402
Proceeds from Sale/Maturity of Investments	4,434,642	-
Purchases of Investments	(4,674,881)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	123,010	(3)
NET CASH FROM INVESTING ACTIVITIES	(10,807)	17,399
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(136,914)	50,682
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,621,732	757,411
Prior Period Adjustment/Accounting Change (See Note 15A and 15B)	(46,640)	-
CASH AND POOLED CASH, FISCAL YEAR END	\$ 1,438,178	\$ 808,093

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,631,083)	\$ 149,461
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	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	296,020	3,645
(Gain)/Loss on Disposal of Capital and Other Assets	362	-
Compensated Absences and Accrued Pension Expense	1,068,089	9,030
Interest and Other Expense in Operating Income	38,402	1
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	89,078	(2,236)
(Increase) Decrease in Inventories	(468)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(2,667)	-
Increase (Decrease) in Accounts Payable	(2,366)	(2,404)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	51,140	772
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 329,865	\$ 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	62,562	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	23,588	-
Loss on Disposal of Capital and Other Assets	20,471	-
Disposal of Capital Assets	17,699	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	35,699	399
Assumption of Capital Lease Obligation or Mortgage	2,207	-
Financed Debt Issuance Costs	395	-
Fair Value Change in Derivative Instrument	(3,971)	-

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	138,028	66
-	16,298	4,450,940	-
-	(18,647)	(4,693,528)	-
(354)	(4,479)	118,174	(230)
315	6,707	13,614	(164)
(2,620)	238,851	149,999	(8,013)
50,088	554,148	2,983,379	46,165
-	545	(46,095)	-
\$ 47,468	\$ 793,544	\$ 3,087,283	\$ 38,152

\$ 127,313	(11,318)	\$ (1,365,627)	\$ (134,224)
197	32,286	458,220	28,864
-	(5,434)	(5,434)	-
-	55,449	355,114	420
-	(15)	347	-
6,194	117,041	1,200,354	124,816
-	(38,320)	83	310
(72)	21,525	108,295	15,500
25	(4,007)	(4,450)	(157)
118	(299)	(2,848)	(821)
(364)	(286)	(5,420)	(6,597)
(2,116)	22,158	71,954	(8,775)
\$ 131,295	\$ 188,780	\$ 810,588	\$ 19,336

-	902	929	2,093
-	170	62,732	-
-	110	23,698	-
-	60,252	80,723	10,376
-	-	17,699	-
-	2,927	39,019	144
-	-	2,207	17,852
-	-	395	-
-	-	(3,971)	-

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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	\$ 581,518
Investments	-	235	-
Taxes Receivable, net	-	-	179,823
Other Receivables, net	223	10,788	355
Due From Other Funds	3,649	8,246	14,098
Inventories	-	-	5
Noncurrent Assets:			
Investments:			
Government Securities	15,849	21,941	-
Corporate Bonds	10,917	-	-
Repurchase Agreements	-	2,506	-
Asset Backed Securities	4,808	-	-
Mutual Funds	26,264	6,482,118	-
Other Investments	19,135	911,248	-
Other Long-Term Assets	-	-	11,371
TOTAL ASSETS	163,542	7,640,758	\$ 787,170
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	3,836
Accounts Payable and Accrued Liabilities	19,512	9,575	1,206
Due To Other Governments	-	-	319,366
Due To Other Funds	-	73	-
Unearned Revenue	-	8,356	-
Compensated Absences Payable	15	-	-
Claims and Judgments Payable	16,077	-	36
Other Current Liabilities	-	-	426,847
Noncurrent Liabilities:			
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	\$ 787,170
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	127,903	-	-
Individuals, Organizations, and Other Entities	-	7,618,411	-
TOTAL NET POSITION	\$ 127,903	\$ 7,618,411	

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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
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
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
Other Deductions	22,881	-
Transfers-Out	73	23
TOTAL DEDUCTIONS	394,161	1,028,371
CHANGE IN NET POSITION	2,178	898,572
NET POSITION - FISCAL YEAR BEGINNING	54,190	6,719,839
Accounting Changes (See Note 15B)	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	\$ 26,013
Contributions Receivable, net	-	46,217
Other Receivables, net	79,120	-
Due From Other Governments	2,719	-
Prepays, Advances and Deposits	-	540
Total Current Assets	313,497	72,770
Noncurrent Assets:		
Restricted Cash and Pooled Cash	109,252	-
Restricted Investments	107,680	-
Restricted Receivables	1,600	-
Investments	-	1,739,866
Contributions Receivable, net	-	76,711
Other Long-Term Assets	929,794	-
Depreciable Capital Assets and Infrastructure, net	34	1,583
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,148,360	1,818,160
TOTAL ASSETS	1,461,857	1,890,930
DEFERRED OUTFLOW OF RESOURCES:	5,035	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,381	13,775
Due To Other Governments	413	-
Notes, Bonds, and COPs Payable	40,700	-
Other Current Liabilities	137,640	18,323
Total Current Liabilities	192,134	32,098
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	381,859
Notes, Bonds, and COPs Payable	478,065	-
Net Pension Liability	4,095	-
Other Long-Term Liabilities	80,553	21,060
Total Noncurrent Liabilities	562,713	402,919
TOTAL LIABILITIES	754,847	435,017
DEFERRED INFLOW OF RESOURCES:	321	-
NET POSITION:		
Net investment in Capital Assets:	34	1,583
Restricted for:		
Expendable	-	847,611
Nonexpendable	-	546,822
Other Purposes	669,401	-
Unrestricted	42,289	59,897
TOTAL NET POSITION	\$ 711,724	\$ 1,455,913

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
\$ 5,297	\$ 10,626	\$ 4,108	\$ 17,860	\$ 295,562
15,497	4,573	1,397	-	67,684
-	1,678	129	449	81,376
-	-	-	403	3,122
514	-	-	1,194	2,248
21,308	16,877	5,634	19,906	449,992
-	30	-	9,780	119,062
-	-	-	-	107,680
-	-	-	-	1,600
493,165	322,159	112,002	50,516	2,717,708
65,119	19,785	3,578	-	165,193
690	1,391	67	388	932,330
31	-	901	163,591	166,140
-	-	-	25,393	25,393
559,005	343,365	116,548	249,668	4,235,106
580,313	360,242	122,182	269,574	4,685,098
-	-	-	-	5,035
2,635	2,878	816	1,367	34,852
-	-	-	-	413
-	-	-	-	40,700
-	-	-	475	156,438
2,635	2,878	816	1,842	232,403
13,572	35,503	576	-	431,510
-	-	-	51,735	529,800
-	-	-	-	4,095
755	9,048	125	-	111,541
14,327	44,551	701	51,735	1,076,946
16,962	47,429	1,517	53,577	1,309,349
-	-	-	-	321
31	-	901	189,058	191,607
317,806	108,656	24,711	-	1,298,784
210,782	176,015	84,678	-	1,018,297
-	-	-	2,454	671,855
34,732	28,142	10,375	24,485	199,920
\$ 563,351	\$ 312,813	\$ 120,665	\$ 215,997	\$ 3,380,463

**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:		
Fees	\$ 28,782	\$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	7,533	-
Rental Income	-	-
Gifts and Donations	-	186,036
Federal Grants and Contracts	5,985	-
Other	200	1,882
TOTAL OPERATING REVENUES	42,500	187,918
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,623	-
Operating and Travel	18,898	24,978
Depreciation and Amortization	10	158
Debt Service	23,606	-
Foundation Program Distributions	-	139,451
TOTAL OPERATING EXPENSES	44,137	164,587
OPERATING INCOME (LOSS)	(1,637)	23,331
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	160,654
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	160,654
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,637)	183,985
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	41,085	-
TOTAL CONTRIBUTIONS AND TRANSFERS	41,085	-
CHANGE IN NET POSITION	39,448	183,985
NET POSITION - FISCAL YEAR BEGINNING	672,276	1,271,928
NET POSITION - FISCAL YEAR ENDING	\$ 711,724	\$ 1,455,913

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
-	-	-	9,954	9,954
-	-	-	(1,414)	6,119
-	-	-	1,660	1,660
108,068	15,320	6,492	-	315,916
-	-	-	-	5,985
397	810	403	-	3,692
108,465	18,030	6,895	10,200	374,008
-	-	-	-	1,623
3,848	7,392	1,079	6,799	62,994
9	-	45	5,861	6,083
-	-	-	-	23,606
49,052	24,327	9,664	-	222,494
52,909	31,719	10,788	12,660	316,800
55,556	(13,689)	(3,893)	(2,460)	57,208
51,204	42,858	11,165	116	265,997
-	-	-	76	76
-	-	-	991	991
-	-	-	(3,224)	(3,224)
-	-	-	(2,028)	(2,028)
-	-	-	1,326	1,326
51,204	42,858	11,165	(2,743)	263,138
106,760	29,169	7,272	(5,203)	320,346
-	-	-	-	41,085
-	-	-	-	41,085
106,760	29,169	7,272	(5,203)	361,431
456,591	283,644	113,393	221,200	3,019,032
\$ 563,351	\$ 312,813	\$ 120,665	\$ 215,997	\$ 3,380,463

**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	9,954		
Investment Income (Loss)	6,119	(6,119)	
Rental Income	1,660		
Gifts and Donations	315,916	(315,916)	
Federal Grants and Contracts	5,985	(5,985)	
Other	3,692	(3,492)	
TOTAL OPERATING REVENUES	374,008	(331,512)	42,496 CHARGES FOR SERVICES
OPERATING EXPENSES:			
Salaries and Fringe Benefits	1,623		
Operating and Travel	62,994		
Depreciation and Amortization	6,083		
Debt Service	23,606	3,223	
Foundation Program Distributions	222,494		
Other Expenses	-	2,028	
TOTAL OPERATING EXPENSES	316,800	5,251	322,051 EXPENSES
OPERATING INCOME (LOSS)	57,208		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	265,997	(265,997)	
Gifts and Donations	76	(76)	
Federal Grants and Contracts	991	(991)	
Debt Service	(3,224)	3,224	
Other Expenses	(2,028)	2,028	
Other Revenues	1,326	(1,326)	
TOTAL NONOPERATING REVENUES (EXPENSES)	263,138	(263,138)	
		555,996	555,996 OPERATING GRANTS & CONTRIBUTIONS
		2,317	2,317 CAPITAL GRANTS & CONTRIBUTIONS
		82,673	82,673 UNRESTRICTED INVESTMENT EARNINGS
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	320,346		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	41,085	(41,085)	
Special Items	-		
TOTAL CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:	41,085	(41,085)	- SPECIAL AND/OR EXTRAORDINARY ITEM
CHANGE IN NET POSITION	361,431		361,431 CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	3,019,032		3,019,032 NET POSITION - FISCAL YEAR BEGINNING
NET POSITION - FISCAL YEAR ENDING	\$ 3,380,463		\$ 3,380,463 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 68, and Amendments to Certain Provisions of GASB Statements 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 (CWRPDA) 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 No. 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—an amendment of GASB Statements No. 25 and No. 27. 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 (RMPP), (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. 77 – Tax Abatement Disclosures. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by GASB Statement No. 77 encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government’s tax revenues.

GASB Statement No. 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and 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. 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.

Discretely Presented Component Units:

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):

The following entities qualify as nonmajor discretely presented component units:

- Denver Metropolitan Major League Baseball Stadium District
- Colorado Venture Capital Authority
- HLC @ Metro, Inc.

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

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

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

University of Colorado Foundation
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

The University of Colorado Real Estate Foundation (CUREF) ceased operations during Fiscal Year 2017. In accordance with GASB Statement No. 69, Government Combinations and Disposals of Government Operations, the result of the transfer of operations is shown as a special item on the *Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds*.

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:

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

Blended Component Units:

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

- University Physician’s Inc. d/b/a CU Medicine
- University of Colorado Property Construction, Inc. (CUPCO)

Joint Operating Agreement:

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 Colorado Venture Capital Authority, and HLC @ Metro, Inc., which are presented as nonmajor component units.

The State’s major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with the 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, 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), 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 Colorado 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 Colorado Venture Capital Authority are presented as of December 31, 2016.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. are presented as of June 30, 2017.

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 and the University of Northern Colorado Foundation recognize 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 expended 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 Colorado 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 Colorado 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:

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

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

Restricted for Education – The net position of the State Education Fund, a major special revenue fund, is restricted for education purposes based on Article IX, Section 17 of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000. In addition, the net

position of the Public School Fund, a Special Purpose fund, is restricted for exclusive use pursuant to Article IX, Section 3 of the State Constitution.

The net position of Higher Education Institutions, a major proprietary fund, is restricted for educational purposes that primarily include student loans and scholarships restricted by the federal government and other sponsoring entities, and revenue balances pledged for auxiliary facility debt as a result of bond covenants. Balances related to various instructional, research and academic support programs, and capital projects may also 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 \$444.9 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.

The Plan uses allocation statistics from Fiscal Year 2013-14 and costs from the Fiscal Year 2015-16 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-Out)/Transfers-In 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 \$32.1 million 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 \$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.
- **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 \$9.8 million.
- **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 \$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.
- **Public School Health Services** – 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.
- **Regional Centers** – 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:

- None at June 30, 2017

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

- **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 2017-18 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, 2017:

- Health Care Expansion Fund - \$0.4 million
- Hospital Provider Fee Cash Fund - \$5.1 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 \$12,891.7 million, which is \$436.2 million under the \$13,327.8 million ERSC, and \$2,130.0 million over the original TABOR limit.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained \$16,903.4 million (unadjusted for prior year errors) – \$3,593.6 million during the initial five year revenue retention period, and an additional \$13,309.8 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 \$386.7 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 – \$83,000,000 set in the Long Appropriations Act. Only \$78,401,470 of this fund’s balance was restricted since, at June 30, 2017 its net assets were less than \$83 million. The assets restricted were net cash of \$66,645,034 and investments, excluding unrealized gains, of \$11,756,436.
- 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 set in the Long Appropriations Act. Only \$49,967,282 of this fund’s net assets were restricted, all of it cash, since at June 30, 2017 its net assets were less than \$68,328,000. During the fiscal year, \$20,125,000 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 – \$5,000,000.
- The 2016 legislative session Long Appropriations Act designated up to \$142,272,000 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 \$11,108,952 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.

A-47

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 \$6,632.4 million (\$6,635.7 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 \$1,466.2 million in the Treasurer’s pool as of June 30, 2017. Under the GASB Statement No. 40 definitions, \$54.5 million of the State’s total bank balance of \$1,522.3 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution’s trust department or agent, but not in the State’s name.

Component Units

The 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 \$29.0 million held by the State Treasurer, \$291.5 million held in COLOTRUST (Colorado Local Government Liquid Asset Trust) and \$19.3 million held in a third party, short-term, prime investment fund. COLOTRUST is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at \$1.00. COLOTRUST 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 4 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 in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes \$227.0 million of Taxes Receivable expected to be collected after one year that are reclassified on the *Governmental Funds Balance Sheet Reconciled to Statement of Net Position* so they can be reported as Other Long-Term Assets on the government-wide *Statement of Net Position*.
- \$125.3 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.

A-48

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

- \$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 for Governmental Activities 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 \$1,208.1 million shown on the government-wide *Statement of Net Position* are net of \$251.3 million in allowance for doubtful accounts and primarily comprise the following:

- \$614.6 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.
- \$438.1 million of student and other receivables of Higher Education Institutions.
- \$76.1 million recorded by Other Governmental Funds includes \$40.2 million of tobacco settlement revenues expected within the following year and \$7.8 million of rent and royalty receivables recorded by the State Lands Fund.
- \$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 \$46.2 million and \$76.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2017, the amount reported as contributions receivable totals \$135.6 million of unconditional promises to give which were offset by a \$10.4 million allowance for uncollectible contributions and a \$2.3 million unamortized pledge discount using discount rates ranging from 0.41 percent to 4.96 percent.

At June 30, 2017, Contributions Receivable for the Colorado State University Foundation included contributions of \$87.7 million, which were offset by \$4.9 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and \$2.2 million of allowance for uncollectible pledges. At June 30, 2017, contributions from two donors represented approximately 50 percent of net contributions receivable for the foundation.

At June 30, 2017, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of \$23.7 million was offset by \$2.2 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 58 percent of the foundation’s contributions receivable at June 30, 2017, consists of a pledge from one donor and approximately \$2.9 million is due from trusts held by others.

At June 30, 2017, combined current and noncurrent Contributions Receivable for the University of Northern Colorado Foundation was \$5.1 million. It was offset by \$0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 67 percent of the foundation’s contributions receivable at June 30, 2017 consists of pledges from two donors and approximately 52 percent of its contributions for the year are from four donors.

INVENTORIES

Inventories of \$113.3 million shown on the government-wide *Statement of Net Position* at June 30, 2017, primarily comprise:

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

- \$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, ADVANCES, AND DEPOSITS

Prepays, Advances, and Deposits of \$103.7 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.
- \$13.1 million prepaid by Higher Educational Institutions, of which \$7.2 million primarily 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 \$744.3 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 \$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.

A-49

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 \$99,865.

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 \$1,489,159 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)	\$ 1,466,168
Investments:	
Governmental Activities	7,892,858
Business-Type Activities	2,741,843
Fiduciary Activities	7,495,021
Total	\$ 19,595,880
Financial Statement Amounts	
Net Cash and Pooled Cash	\$ 6,281,125
Add: Warrants Payable Included in Cash	219,986
Total Cash and Pooled Cash	6,501,111
Add: Restricted Cash	1,735,264
Add: Restricted Investments	962,852
Add: Investments	10,396,653
Total	\$ 19,595,880

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:

INVESTMENT TYPE	(Amounts in Thousands)			
	Governmental Activities			
	Treasurer’s Pool	General Fund	Other Governmental	Total
U.S. Government Securities	\$ 2,087,279	\$ -	\$ 310,441	\$ 2,397,720
Commercial Paper	\$ 746,131	\$ -	\$ -	746,131
Corporate Bonds	\$ 2,397,218	\$ -	\$ 299,970	2,697,188
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	\$ 6,770,216	\$ 14,080	\$ 1,108,562	\$ 7,892,858

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 (\$362.2 million); equity trusts (\$346.5 million); fixed income trusts (\$42.9 million); municipal bonds and securities (\$16.7 million) and other investments (\$17.6 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.

INVESTMENT TYPE	(Amounts in Thousands)			Fiduciary
	Business-Type Activities			
	Higher Education Institutions	Other Enterprises	Total	
U.S. Government Securities	\$ 394,895	\$ -	\$ 394,895	\$ 38,025
Commercial Paper	1,996	-	1,996	-
Corporate Bonds	283,860	-	283,860	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	657,129	551	657,680	6,508,382
Other	1,225,581	20,461	1,246,042	930,383
TOTAL INVESTMENTS	\$ 2,720,831	\$ 210,12	\$ 2,741,843	\$ 7,495,021

INVESTMENTS SUBJECT TO CUSTODIAL RISK	(Amounts in Thousands)			Fiduciary
	Business-Type Activities			
	Higher Education Institutions	Other Enterprises	Total	
U.S. Government Securities	\$ 290	\$ -	\$ 290	\$ 15,849
Corporate Bonds	449	-	449	10,917
Repurchase Agreements	-	-	-	2,506
Asset Backed Securities	-	-	-	4,808
Mutual Funds	14,512	-	14,512	-
Other	36,985	-	36,985	-
TOTAL SUBJECT TO CUSTODIAL RISK	\$ 52,236	\$ -	\$ 52,236	\$ 34,080

A-51

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 by the lowest known credit quality rating, which shows the Treasurer's Pooled Cash Investments, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate. The credit quality ratings shown are Moody's, Standard and Poor's, and Fitch, respectively.

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.

Credit Quality Rating	CREDIT QUALITY RATINGS (Amounts in Thousands)									
	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:										
Long-term Ratings										
Aaa/AAA/AAA	\$ 684,548	\$ -	\$ 65,042	\$ -	\$ 577,902	\$ -	\$ -	\$ -	\$ 265,000	\$ 1,592,492
Aa/AA/AA	30,875	-	96,332	-	2,078	-	-	-	10,060	128,345
A/A	892,448	746,011	138,068	-	-	-	-	-	-	3,022,247
Baa/BBB/BBB	-	-	35,975	-	-	-	-	-	-	35,975
Total T-Pool	1,889,871	746,011	2,397,217	-	579,980	-	-	-	275,060	5,888,259
Higher Education Institutions:										
Long-term Ratings										
Aaa/AAA/AAA	3,929	-	21,623	-	76,556	37,1532	-	-	2,115	486,755
Aa/AA/AA	1,1767	-	53,900	-	27,241	-	-	-	9,034	291,942
A/A	-	-	17,826	-	4,865	-	-	-	307	12,798
Baa/BBB/BBB	-	-	92,712	-	3,889	-	-	-	-	98,601
Ba/BB/BB	-	-	2,786	-	208	-	-	-	-	2,992
B/B/B	-	-	-	-	434	-	-	-	-	434
Caal/CC/CCC	-	-	1,006	-	1,067	-	-	-	-	2,073
Ca/D/DDD	-	-	1612	-	196	-	-	-	-	1,808
Short-term Ratings										
P/MTWTA/TF-1	-	1,996	-	-	-	-	-	-	-	1,996
Unrated	64,744	-	5,636	20,226	18,431	85	127,534	-	429	237,855
Total Higher Ed	230,440	1,996	296,901	20,226	102,885	371,687	127,534	-	21,885	1,203,554
Fiduciary Funds:										
Long-term Ratings										
Aaa/AAA/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/AAA/AAA	-	-	41,235	-	1,919	2,448	-	-	-	205,602
Aa/AA/AA	10,496	-	98,559	-	55,377	827	-	-	4,331	452,590
A/A	-	-	7,1925	-	-	-	-	-	-	7,1925
Baa/BBB/BBB	-	-	-	-	-	-	-	-	-	8,251
Unrated	-	-	-	-	8,699	7,366	6,852	-	4,271	27,097
Total Other	113,496	-	299,970	-	325,904	10,641	6,852	-	8,602	765,465
Total	\$ 2,233,807	\$ 748,027	\$ 2,994,088	\$ 22,732	\$ 1,036,769	\$ 4,943,889	\$ 2,819,494	\$ 152,717	\$ 305,947	\$ 15,203,159

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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)

Investment Type	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	\$ 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	0.071	-	-	-	-
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	32,1567	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		\$ 657,130	

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, however, the duration associated with the repurchase agreements is 1.495 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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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	153,660	8.298
Guaranteed Investment Contract	5,165	13.522
Asset Backed Securities	49,880	11.454
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
Money Market Mutual Funds	121	0.003
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	(5,045)	2,104
Highway Users Tax	(5,165)	2,350
Capital Projects-Regular	(2,070)	930
Capital Projects-Special	(36)	17
State Education	(2,142)	(166)
NonMajor Funds:		
State Lands	(23,461)	21,717
Other Permanent Trusts	(65)	35
Labor	(1,726)	(773)
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	(170)	61
Administrative Courts	(8)	5
Legal Services	(12)	20
Other Internal Service	(2)	1
Business-Type Activities:		
Major Funds:		
Higher Education Institutions	123,010	(72,406)
Unemployment Insurance	(3)	-
Lottery	(354)	208
NonMajor Funds:		
College Invest	(180)	479
Wildlife	(958)	482
College Assets	(883)	515
Correctional Industries	(36)	21
State Nursing Homes	(127)	14
Prison Canteens	(13)	73
Petroleum Storage Tank	(23)	8
Transportation Enterprise	(1,796)	610
Other Enterprise Activities	(11)	11
Fiduciary:		
Pension/Benefits Trust	(35)	(232)
Private Purpose Trust	477,254	(109,164)
	<u>\$ 479,048</u>	<u>\$ (219,027)</u>

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

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

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

Level 2 Investments with inputs – 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 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	\$ 2,830,639	\$ 2,253,061	\$ 577,578	\$ -
Commercial Paper	748,128	-	748,128	-
Corporate Bonds	2,991,966	70,425	2,890,192	31,349
Corporate Equities	11,575	11,575	-	-
Repurchase Agreements	2,506	-	-	2,506
Asset-backed Securities	855,118	6,484	847,728	906
Mortgages	196,990	26,169	157,942	12,879
Mutual Funds	7,433,786	7,431,559	2,061	166
Money Market Funds	758,652	758,546	-	106
Other - Uncategorized	1,523,520	1,962	822,962	698,596
Total Investments by Fair Value Level	\$ 17,352,880	\$ 10,559,781	\$ 6,046,591	\$ 746,508

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 representing 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 representing 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	362,057
Repurchase agreements	5,165
Guaranteed Investment Contracts	<u>20,226</u>
Total Investments Measured at the NAV	\$ <u>776,845</u>

Component Units

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

Component Units – Non-Foundations

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.

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.

(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	13,570	X	
Government Agencies	<u>10,070</u>		AAA
Total	\$ <u>418,399</u>		

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, 2017, the University of Colorado Foundation held \$354.9 million of domestic equity securities, \$443.2 million of international equity securities, \$205.4 million of fixed income securities and \$653.0 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, commodities and other investments. The foundation has adopted FASB guidance in valuing its investments. Ninety percent of the Foundation’s alternative investments, or \$587.9 million, 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	\$ 31,068,549	\$ 31,068,549		\$
Domestic equities	354,928,136	354,928,136		
International equities	443,189,440	443,189,440		
Fixed income	205,381,641	19,877,874	185,503,767	
Alternative				
Private equity	45,030,039		45,030,039	
Venture capital	332,863			332,863
Commodities	19,030,665	19,030,665		
Other	727,647		504,125	223,522
Assets held under split-interest agreements	39,420,319	36,366,233	3,054,086	
Beneficial interests in charitable trusts	8,016,375			8,016,375
Total Investments by Fair Value Level	\$ 1,147,125,674	\$ 904,460,897	\$ 234,092,017	\$ 8,572,760
Alternative Investments Measured at the Net Asset Value (NAV)				
Real estate	\$ 70,818,052			
Private equity	238,712,087			
Long/short hedged equity	23,789,292			
Absolute returns	176,028,610			
Venture capital	67,143,686			
Commodities	11,393,075			
Total Investments Measured at the NAV	587,884,802			
Total Investments	\$ 1,735,010,476			

The foundation’s spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment’s trailing thirty-six month average fair market value. The foundation’s investment gain of \$157.1 million is net of \$13.1 million of investment fees and comprises \$18.6 million of interest, dividends and other income, \$41.2 million of realized gains, and \$110.3 million of unrealized gains.

At June 30, 2017, the Colorado State University Foundation held \$211.3 million of equity securities, \$100.3 million of fixed income securities, \$116.7 million of alternative investments (comprising hedge funds and private market investments), and \$44.7 million in cash and other investments.

	Fair Value Measurements Using				Net Asset Value
	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 equivalents	\$ 1,771,417	\$ 1,771,417		\$	\$
Public Equities					
United States	82,839,610	81,780,769			1,058,841
International	18,146,395				18,146,395
Emerging Markets	26,844,156				26,844,156
Global	83,443,171	22,032,229			61,410,942
Fixed income	100,321,559	72,221,384			28,100,175
Other/Global Assets	20,137,764	20,137,764			
Alternative investments					
Hedge Funds	60,945,698				60,945,698
Private Markets	55,740,228				55,740,228
Short duration	41,972,555	41,972,555			
Student-managed investments	1,002,520	1,002,520			
Total Investments by Fair Value Level	\$ 493,165,073	\$ 240,918,638	\$ -	\$ -	\$ 252,246,435

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, 2017 the CSMF held \$321.4 million of investments consisting of \$291.8 million held as a long-term investment pool, \$11.7 million in beneficial interests in endowments, \$13.8 million in split-interest agreements, and \$4.0 million in gift annuity agreements.

	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				
Long-term investments				
Managed domestic equity funds	\$ 76,802,509	\$ 54,520,644	\$ 22,281,865	\$
International equities	72,893,048	27,817,745	45,075,303	
Fixed income - mutual funds	18,033,615	18,033,615		
Cash equivalent funds	8,530,784		8,530,784	
Long/short hedge funds	62,436,527		48,461,403	13,975,124
Private equity/venture capital	53,146,333			53,146,333
Charitable trusts	29,538,206	28,974,486	449,004	114,716
Total Investments by Fair Value Level	\$ 321,381,022	\$ 129,346,490	\$ 124,798,359	\$ 67,236,173

At June 30, 2017, the University of Northern Colorado Foundation held \$48.0 million of equity securities, \$19.6 million of fixed income securities, \$9.1 million of alternative investments, \$1.4 million of cash and other investments and \$7.5 million in beneficial interest in trusts held by others. The Foundation’s investment gain of \$11.2 million is net of \$0.3 million of management fees and comprises \$2.0 million of interest and dividends and \$9.5 million of realized and unrealized losses. In addition to the investments presented below, \$21.8 million of alternative investments measured at Net Asset Value were held at June 30, 2017.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level				
Cash equivalent mutual funds	\$ 390,986	\$ 390,986		\$
Equities	47,995,736	47,995,736		
Fixed income	19,619,610	16,013,625	3,605,985	
Student-managed funds	2,555,542		2,555,542	
Stock/bond mixed mutual funds	971,189	971,189		
Alternative Investments				
Limited partnerships	5,395,964	5,395,964		
Commodities	3,732,740	3,732,740		
Other equities	1,001,165	1,001,165		
Beneficial interest in long-term trusts	7,400,883			7,400,883
Total Investments by Fair Value Level	\$ 89,153,815	\$ 75,501,405	\$ 6,161,527	\$ 7,400,883

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 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 during Fiscal Year 2017. The schedule shows that \$417.8 million of construction in progress projects were completed and added to capital assets for Governmental activities, and \$674.6 million of construction in progress were completed and added to capital assets for Business Type activities. These amounts are net of additions.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	10,898	\$ 2,547	\$ -	\$ 2,701	\$ 16,146
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	617,469	(433,501)	(14,758)	926,510
Infrastructure	963,630	-	15,580	(594)	978,616
Total Capital Assets Not Being Depreciated	1,851,910	620,376	(417,823)	(12,651)	2,041,812
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)	-	31,875	(589,000)
Library Materials and Collections	(4,077)	(415)	-	86	(4,406)
Other Capital Assets	(35,018)	(1,193)	-	-	(36,211)
Infrastructure	(4,136,155)	(350,030)	-	724	(4,485,461)
Total Accumulated Depreciation	(5,901,468)	(530,659)	-	40,349	(6,391,778)
Total Capital Assets Being Depreciated, net	10,009,078	(305,241)	417,823	(83,871)	10,037,789
TOTAL GOVERNMENTAL ACTIVITIES	11,860,988	315,135	-	(96,522)	12,079,601
BUSINESS - TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	549,313	39,978	-	(87)	589,204
Land Improvements	16,882	-	-	-	16,882
Collections	26,940	1,375	63	(207)	28,171
Construction in Progress (CIP)	1,005,911	922,723	(693,687)	(19,822)	1,215,125
Other Capital Assets	15,461	-	-	-	15,461
Infrastructure	37,934	-	19,011	-	56,945
Total Capital Assets Not Being Depreciated	1,652,441	964,076	(674,613)	(20,116)	1,921,788
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	(4,833)	239,308
Vehicles and Equipment	1,082,996	96,708	9,624	(39,791)	1,149,537
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	274,515	674,613	(78,119)	12,673,460
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	(183,706)	674,613	(38,275)	7,502,858
TOTAL BUSINESS - TYPE ACTIVITIES	8,702,667	780,370	-	(58,391)	9,424,646
TOTAL CAPITAL ASSETS, NET	\$ 20,563,655	\$ 1,095,505	\$ -	\$ (154,913)	\$ 21,504,247

A-57

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	\$	46,810
Business, Community and Consumer Affairs		2,579
Education		36,525
Health and Rehabilitation		9,107
Justice		47,470
Natural Resources		2,190
Social Assistance		12,684
Transportation		373,295
Internal Service Funds (Charged to programs and BTAs based on usage)		0
Total Depreciation Expense - Governmental Activities		530,660
BUSINESS-TYPE ACTIVITIES		
Higher Education Institutions		423,358
Other Enterprise Funds		32,286
Unemployment Insurance		2,379
State Lottery		197
Total Depreciation Expense - Business-Type Activities		458,220
Total Depreciation Expense Primary Government	\$	988,880

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 \$38.4 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 \$4.8 million.

NOTE 6 – PENSION SYSTEM AND OBLIGATIONS

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

The State of Colorado participates in the State Division Trust Fund (SDTF) and the Judicial Division Trust Fund (JDTF), cost-sharing multiple-employer defined benefit pension funds administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF and the JDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description

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

Benefits Provided

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SDTF or the JDTF.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Disability benefits are available for eligible employees once they reach 5 years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the 5 years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. The 5 year requirement is not applicable to active judges.

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

Contributions

Eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers for the SDTF are summarized in the table below:

	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 Rate¹	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., § 24-51-411 ¹	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate to the SDTF¹	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Eligible employees and the State are required to contribute to the JDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees for the JDTF are summarized in the table below:

	Rates
Employer Contribution Rate¹	13.66%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the JDTF ¹	12.64%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the JDTF¹	16.34%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Employer contributions are recognized by the SDTF and the JDTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions to the SDTF and the JDTF. Employer contributions recognized by the SDTF and the JDTF from the State were \$516.9 million and \$7.5 million, respectively, for the year ended June 30, 2017, excluding contributions to the Health Care Trust Fund.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the State reported a liability of \$17.8 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 State's proportion of the net pension liability was based on the State's contributions to the SDTF and the JDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF and the JDTF.

At December 31, 2016, the State's proportion of the SDTF was 95.49 percent, which was a decrease of 0.22 percent, and 94.17 percent of the JDTF, which was an increase of 0.18 percent, from the proportions measured for each pension trust fund as of December 31, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$3.6 billion related to the SDTF and the JDTF combined.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources for the SDTF 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	4,462,363	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	87,815	108,818
Contributions subsequent to the measurement date	262,162	-
	<u>\$ 5,568,153</u>	<u>\$ 162,807</u>

\$262.2 million reported as deferred outflows of resources related to pensions for the SDTF, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

(Amounts in Thousands)

Fiscal Year Ended June 30	
2018	\$ 2,785,580
2019	2,190,206
2020	161,243
2021	6,155
2022	-
Thereafter	-

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources for the JDTF 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	\$ -
Changes of assumptions and other inputs	49,048	2
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	5,952	-
Contributions subsequent to the measurement date	5,552	-
	<u>\$ 92,712</u>	<u>\$ 2</u>

\$5.6 million reported as deferred outflows of resources related to pensions for the JDTF, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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	\$ 34,397
2019	25,916
2020	18,523
2021	8,322
2022	-
Thereafter	-

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	State Division	Judicial Division
Actuarial cost method	Entry age	Entry age
Price inflation	2.80 percent	2.80 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.90 percent	3.90 percent
Salary increases, including wage inflation	3.90 - 9.57 percent	4.40 - 5.40 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent	7.50 percent
Discount rate	7.50 percent	5.73 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

	State Division	Judicial Division
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 - 9.17 percent	4.00 - 5.00 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	5.26 percent	5.18 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

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 valuations for the SDTF and the JDTF 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 for the SDTF reflect the RP-2014 Healthy Annuitant Mortality Table, and for the JDTF reflect the RP-2014 White Collar Health Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor for the SDTF and a 93 percent factor for the JDTF, applied to rates for ages less than 80, a 108 percent factor for the SDTF and a 113 percent factor for the JDTF applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor for the SDTF and a 68 percent factor for the JDTF applied to rates for ages less than 80, a 109 percent factor for the SDTF and a 106 percent factor for the JDTF 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 and the JDTF, 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 for the SDTF and the JDTF are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.26 percent for the SDTF and 5.18 percent for the JDTF. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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%.
- 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% 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 projection test indicates the SDTF's and the JDTF's fiduciary net position were projected to be depleted in 2039 and 2036, respectively 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 7.25 percent on pension plan investments was applied to periods through 2039 for the SDTF and through 2036 for the JDTF 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 periods on and after 2039 for the SDTF and after 2036 for the JDTF to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent for the SDTF and 5.18 percent for the JDTF.

For the SDTF, as of the prior measurement date, the projection test indicated the trust'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, 2.24 percent higher compared to the current measurement date.

For the JDTF, as of the prior measurement date, the long-term expected rate of return on plan investments of 7.50 percent and the municipal bond index rate of 3.57 percent were used in the discount rate determination resulting in a discount rate of 5.73 percent, 0.55 percent higher compared to the current measurement date.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate

The following table presents the proportionate share of the net pension liability related to the SDTF calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$21,724,340	\$17,539,972	\$14,102,190

The following table presents the proportionate share of the net pension liability related to the JDTF calculated using the discount rate of 5.18 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.18 percent) or 1-percentage-point higher (6.18 percent) than the current rate:

	1% Decrease (4.18%)	Current Discount Rate (5.18%)	1% Increase (6.18%)
Proportionate share of the net pension liability	\$301,506	\$239,411	\$186,632

Pension plan fiduciary net position

Detailed information about the SDTF's and the JDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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. During fiscal year 2016-2017, the Department of Local Affairs transferred \$4.2 million to the association for pension contributions and premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

Eligible employees of the Colorado Water Resources and Power Development Authority (Authority) are provided pensions through the PERA defined benefit pension plan. The activity and balances related to the Authority's participation in the plan are not included in the preceding note disclosures. Information regarding the Authority's pension plan is available in its separately-issued financial statements. Refer to Note 1 for information on the State's component units.

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 and who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year of service less than 20 years.

An additional implicit subsidy exists for participating retirees 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 \$28.7 million, \$28.3 million, \$27.4 million, \$26.8 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 December 31, 2016, actuarial valuation, 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 2016-17, 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 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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:

Annual required contribution	\$ 74,105
Interest on net OPEB obligation	13,011
Adjustment to annual required contribution	<u>(17,750)</u>
Annual OPEB cost (expense)	<u>69,366</u>
Contributions made	(14,929)
Increase/(Decrease) in net OPEB obligation	54,437
Net OPEB obligation - beginning of year	<u>289,133</u>
Net OPEB obligation - end of year	<u>\$ 343,570</u>

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

A-63

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 \$1.6 billion, and the ratio of UAAL to covered payroll was 38.9 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 \$484 (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://leg.colorado.gov/sites/default/files/documents/audits/1716f-a_cs_u_system.pdf

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 2016-17, 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.

CSU’s annual OPEB cost and related information for each plan for the fiscal year ended June 30, 2017 are as follows:

	RMPR	RMPS	URX	LTD
Actuarial accrued liability (a)	\$ 34,491	44,708	3,470	10,190
Actuarial value of plan assets (b)	45,363	23,552	737	8,716
Unfunded (overfunded) actuarial accrued liability (a) - (b)	\$ (10,872)	21,156	2,733	1,474
Funded ratio (b)/(a)	131.5%	52.7%	21.2%	85.5%
Covered payroll (c)	\$ 344,325	N/A	N/A	N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll [(a) - (b)]/(c)	-3.2%	N/A	N/A	N/A
Contribution rates:				
CSU (through June 27, 2014)	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
CSU (subsequent to June 27, 2014)	Based on ARC	Based on ARC	Based on ARC	Based on ARC
Participants	N/A	N/A	\$0-\$99 / month based on eligibility	N/A
Annual required contributions (ARC)	\$ 1,296	1,981	240	1,373
Interest on net OPEB obligation	-	(44)	7	(330)
Adjustment to ARC	-	64	(10)	206
Annual OPEB cost (d)	1,296	2,001	237	1,249
Contributions made (e)	(4,070)	(1,981)	(240)	(1,478)
Increase (decrease) in net OPEB obligation	(2,774)	20	(3)	(229)
Net OPEB obligation (asset) - beginning of year	(1)	(839)	128	(6,185)
Net OPEB obligation (asset) - end of year	\$ (2,775)	(819)	125	(6,414)
Percentage of OPEB cost contributed (e)/(d)	314.0%	99.0%	101.3%	118.3%

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

The Colorado Water Resources and Power Development Authority (Authority) contributes to the PERA Health Care Trust Fund discussed above. The activity and balances related to the Authority’s participation in the plan are not included in the preceding note disclosures. Information regarding the Authority’s other postemployment benefits is available in its separately-issued financial statements. Refer to Note 1 for information on the State’s component units.

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

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 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 7-1-14 to 12-31-14	CY15 1-1-15 to 6-30-15	CY15 7-1-15 to 12-31-15	CY16 1-1-16 to 6-30-16	CY16 7-1-16 to 12-31-16	CY17 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

A-65

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's pension expense related to other retirement plans was \$191.9 million for fiscal year 2016-17. This was related primarily to employer contributions made to the PERA Defined Contribution Retirement Plan as described above.

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, 38 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

The Colorado Water Resources and Power Development Authority, the University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation provide defined contribution retirement plans to their eligible employees. Information related to component unit other employee benefits is available in their separately-issued financial statements. Refer to Note 1 for information on the State's component units.

A-66

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 non-incremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

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

Colorado employers, including the State, are liable for occupational injuries and diseases of their employees through workers' compensation insurance or self-insurance. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State is self-insured and uses the services of a third party administrator, Broadspire Services, to administer its plan. The State reimburses Broadspire the current cost of claims paid and related administrative expenses.

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over \$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's contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded approximately \$15.6 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 per occurrence 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 per occurrence with excess insurance purchased for claims up to \$10.0 million and additional insurance purchased for 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 for each occurrence), and \$1.0 million per occurrence 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:

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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	-	-	-	-

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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
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	\$ 117,967	\$ 338,348
Business-Type Activities	-	34,330	49,793
Total	\$ 5,559	\$ 152,297	\$ 388,141

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.

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)

Fiscal Year(s)	Operating Leases		Capital Leases			
	Governmental Activities	Business-Type Activities	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	9,793	2,262
2028 to 2032	2,836	8,159	3,168	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	\$ 142,153	\$ 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 lease expense for the year ended June 30, 2017 was \$152,095. The total lease commitment under the leases was \$614,000 at June 30, 2017.

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		Ending Balance June 30
		Additions	Reductions	
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)	\$ -

A-70

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 \$1,661.9 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:

Fiscal Year	(Amounts in Thousands)							
	Governmental Activities							
	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
	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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

(Amounts in Thousands)
Business-Type Activities

Fiscal Year	Revenue Bonds		Notes Payable		Mortgages Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 121,298	\$ 186,946	\$ 1,184	\$ 1,200	\$ 342	\$ 459	\$ 22,805	\$ 14,546	\$ 145,629	\$ 203,151
2019	126,974	186,071	91	1,177	357	444	23,760	13,398	151,182	201,090
2020	132,404	180,808	134	1,174	372	429	24,660	12,239	157,570	194,650
2021	137,087	175,613	37	1,171	387	414	25,815	11,086	163,326	188,284
2022	140,946	170,172	37	1,171	404	397	27,085	9,814	168,472	181,554
2023 to 2027	763,167	757,919	48,703	7,311	2,290	1,716	137,760	28,840	951,920	795,786
2028 to 2032	806,538	572,930	-	-	2,817	1,189	51,570	4,525	860,925	578,644
2033 to 2037	806,240	372,786	-	-	4,248	164	-	-	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	2,925,417	50,186	13,204	11,217	5,212	313,455	94,448	4,454,062	3,038,281
Unamortized Prem/Discount	279,904	-	(7)	-	-	-	33,314	-	313,211	-
Unaccrued Interest	(6,911)	-	-	-	-	-	-	-	(6,911)	-
Totals	\$4,352,197	\$2,925,417	\$50,179	\$13,204	\$11,217	\$5,212	\$346,769	\$94,448	\$4,760,362	\$3,038,281

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.

The difference between total principal payments documented in this note of \$4,799,222 (\$4,760,362 from the Business-Type Activities table above and \$38,860 from the Colorado School of Mines table below) and the total on the *Statement of Net Position* of the sum of current and non-current of Notes, Bonds, and COP Payable of \$4,784,967 represents 2017A proceeds for Colorado Mesa University of \$14.3 million that will be distributed to the University in Fiscal Year 2018. Series 2017A bond proceeds are being distributed to the University in predetermined amounts through February 2018. As of June 30, 2017, the University received \$745,000, which represents the liability reported in the financial statements.

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	Interest Rate			
	Principal	Interest	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	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	-	\$ 21,075	-	\$ 1,453,005	\$ 1,474,080
Business Type Activities	\$ 5,094,314	58,713	12,450	466,203	\$ 5,631,680
Total	\$ 5,094,314	\$ 79,788	\$ 12,450	\$ 1,919,208	\$ 7,105,760

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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	\$2,585	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 \$54.1 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, 2017, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
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	\$ 52,940	\$ 50,535	\$ 103,475

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		Ending Balance June 30	Due Within One Year
		Additions	Reductions		
Governmental Activities					
Deposits Held In Custody For Others	\$ 9,397	\$ 6,673	\$ (9,310)	\$ 6,760	\$ 6,644
Accrued Compensated Absences	166,032	17,272	(8,004)	170,300	11,865
Claims and Judgments Payable	322,353	46,369	(61,878)	306,904	46,369
Capital Lease Obligations	150,665	46,309	(54,821)	142,153	28,254
Bonds Payable	127,925	-	(127,925)	-	-
Certificates of Participation	1,205,172	142,543	(45,333)	1,302,382	44,855
Notes, Anticipation Warrants, Mortgages	13,205	2,135	(4,225)	11,115	2,135
Net Pension Liability	6,295,004	4,624,599	-	10,919,603	-
Other Long-Term Liabilities	415,669	255,105	(262,862)	407,912	-
Total Governmental Activities Long-Term Liabilities	8,705,422	5,141,005	(579,298)	13,267,129	140,122
Business-Type Activities					
Deposits Held In Custody For Others	42,420	43,448	(42,400)	43,468	43,448
Accrued Compensated Absences	316,126	56,120	(29,795)	342,451	25,381
Claims and Judgments Payable	39,657	9,002	(11,298)	37,361	-
Capital Lease Obligations	57,126	9,499	(16,734)	49,891	7,292
Derivative Instrument Liabilities	13,222	-	(3,971)	9,251	-
Bonds Payable	4,320,596	542,123	(485,917)	4,376,802	122,274
Certificates of Participation	372,661	22,811	(48,703)	346,769	22,805
Notes, Anticipation Warrants, Mortgages	53,969	15,963	(8,536)	61,396	15,255
Net Pension Liability	3,957,073	2,977,432	-	6,934,505	-
Other Postemployment Benefits	289,133	54,437	-	343,570	-
Other Long-Term Liabilities	30,200	77,565	(90,224)	17,541	-
Total Business-Type Activities Long-Term Liabilities	9,492,183	3,808,400	(737,578)	12,563,005	222,725
Fiduciary Activities					
Deposits Held In Custody For Others	383,445	427,974	(345,963)	465,456	425,607
Accrued Compensated Absences	38	12	-	50	15
Other Long-Term Liabilities	713	373	(713)	373	-
Total Fiduciary Activities Long-Term Liabilities	384,196	428,359	(346,676)	465,879	425,622
Total Primary Government Long-Term Liabilities	\$ 18,581,801	\$ 9,377,764	\$ (1,663,552)	\$ 26,296,013	\$ 788,469

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 \$17.5 million (including \$1.7 million Due to Component Units) shown for business-type activities primarily comprises \$15.8 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and the Alternate Medicare Program at the University of Colorado (\$3.0 million and \$10.8 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)				
	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, 2017, the foundation held \$42.8 million of split interest agreement investments with \$21.1 million of related liabilities and reported \$7.9 million of net beneficial interest in charitable trusts held by others.

At June 30, 2017, the University of Colorado Foundation held \$395.5 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, 2017, the Colorado State University Foundation held \$13.6 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, 2017, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust, charitable gift annuity contracts and pooled income assets of \$17.8 million; related liabilities of \$8.7 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units*.

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the \$8.7 million mentioned above and total \$4.4 million. At June 30, 2017, CSMF reported \$35.5 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	27,120
Adams State College	16,415
Total	\$ 866,570

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 2007A 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 2029, 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 Activities
Deferred Outflow of Resources:		
Derivative Instruments	\$ -	\$ 2,371
Refunding Losses	2,431	159,278
CU Alternate Medicare Plan Pensions	11,141	
	<u>3,501,212</u>	<u>2,159,653</u>
	<u>3,503,643</u>	<u>2,332,443</u>
Deferred Inflow of Resources		
Nonexchange Transactions	338	442
Refunding Gains	-	860
Other	795	6
Service Concession Arrangements	-	139,454
CU Alternate Medicare Plan Pensions	89	
	<u>97,613</u>	<u>65,196</u>
	<u>\$ 98,746</u>	<u>\$ 206,047</u>

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 \$38.9 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement’s fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers’ Association London Interbank Offering Rate (payable by Morgan Stanley), which was 0.82 percent at June 30, 2017. Cash flows between the parties are settled on the net difference. The fair value to the Colorado School of Mines as of June 30, 2017, using Level 2 Significant Other Observable Inputs, was \$9.3 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

There are inherent risks associated with interest rate swaps that the Colorado School of Mines monitors and addresses including:

- Termination Risk – Terminating the transaction while the fair 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

Additional information on the components of deferred inflows and deferred outflows for pensions can be found in Note 6.

A-75

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 increased by \$91.7 million and Business-Type Activities increased by \$0.5 million.

A transfer of vehicles and other assets from Centralized Capital Assets to the Brand Inspection Fund (Other Enterprise Fund) for \$0.5 million corrected the coding on these assets.

Colorado’s Department of Public Health and Environment reduced accounts receivable and related allowances in the Environment and Health Protection Fund by \$5.2 million for receivables deemed uncollectable.

Colorado’s Department of Health Care Policy and Financing increased the expenditure for capitalized professional services by \$97.4 million for prior period Construction in Progress not recognized during software implementation.

(Amounts in Dollars)

Subject	Government-Wide Statements		Fund-Level Statements	
	Governmental Activities	Business-Type Activities	Governmental Fund	Proprietary Fund
			Environment and Health Protection	Other Enterprises
Brand Inspection Vehicles	(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)	
Increase to Capitalized Professional Services expenditure for prior period Construction in Progress not recognized during software implementation by Department of Health Care Policy and Financing	97,416,003			
	<u>91,672,249</u>	<u>545,040</u>	<u>(5,198,714)</u>	<u>545,040</u>

B. ACCOUNTING CHANGES

Colorado State University (CSU) implementation of GASB Statement No. 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. During Fiscal Year 2017, the bylaws of the Colorado State University Other Post Employment Benefit Trust (Trust) were amended. As a result of this change and further analysis, CSU now reports the Trust as a fiduciary fund. The Trust was established June 27, 2014, as a single-employer other postemployment benefits (OPEB) plan, for the purpose of accumulating and investing assets to fund certain post-retirement medical benefits for retirees and disability income replacement for employees of CSU. The Trust, which is an entity separate from CSU, is for the exclusive purpose of providing funds to pay benefits and for paying expenses of administering the Trust.

University of Colorado (CU) implementation of 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: Beginning fund balance was reduced by \$46,640,000 to record the cumulative effect of GASB 73 adoption. This implementation was for the fiscal year ending June 30, 2017.

(Amounts in Dollars)

Subject	Government-Wide Statements		Fund-Level Statements	
	Governmental Activities	Business-Type Activities	Major Proprietary Fund	Major Fiduciary Fund
			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)	
	<u>-</u>	<u>(46,640,326)</u>	<u>(46,640,326)</u>	<u>71,534,706</u>

Component Unit

During 2016, the Colorado Water Resources and Power Development Authority adopted GASB Statement No. 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.

A-76

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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	\$ 481,998	\$ 17,218
Business, Community and Consumer Affairs	-	57,076	-
Education	386,809	8,108	-
Health and Rehabilitation	-	30,929	-
Justice	-	11,639	-
Natural Resources	-	2,343	-
Social Assistance	-	54,607	-
TOTAL	\$ 442,249	\$ 646,700	\$ 17,218
RESOURCE EXTRACTION:			
General Government	\$ 66,000	\$ 209	\$ -
Business, Community and Consumer Affairs	-	193,228	-
Education	-	2,124	-
Natural Resources	13,173	915,033	-
Social Assistance	-	305	-
TOTAL	\$ 79,173	\$ 1,110,899	\$ -
HIGHWAY USERS TAX:			
General Government	\$ 59,707	\$ 33,616	\$ -
Health and Rehabilitation	3,027	-	-
Justice	865	1,914	-
Transportation	854,179	17,399	-
TOTAL	\$ 917,778	\$ 52,929	\$ -
CAPITAL PROJECTS:			
General Government	\$ -	\$ 236,631	\$ -
Business, Community and Consumer Affairs	-	1,632	-
Education	-	3,056	-
Justice	5	1,378	-
Natural Resources	-	57	-
Social Assistance	-	1,934	-
TOTAL	\$ 5	\$ 244,688	\$ -
STATE EDUCATION:			
Education	\$ 102,019	\$ -	\$ -
TOTAL	\$ 102,019	\$ -	\$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	\$ 169,116	\$ 586,335	\$ -
Business, Community and Consumer Affairs	43,605	219,787	-
Education	-	85,073	-
Health and Rehabilitation	17,822	96,329	-
Justice	-	187,763	-
Natural Resources	6,666	13,303	-
Social Assistance	441	80,809	-
TOTAL	\$ 237,650	\$ 1,269,399	\$ -

A-77

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 \$385.4 million in the School Capital Construction Fund 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 \$80.0 million in the Debt Service Fund and \$78.4 for the TABOR emergency reserve recorded in the Major Medical Fund.

The significant fund balances held for committed purposes as of June 30, 2017, include:

- \$482.0 million in the General Fund in the General Government function includes \$415.4 million, a portion of the \$584.3 million representing the 6 percent statutory reserve available on a GAAP basis (see Note 1).
- \$193.2 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.
- \$915.0 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.
- \$236.6 million in the Capital Projects funds in the General Government function includes \$148.9 million in the Regular Capital Construction Fund representing cash and receivables related to appropriated multi-year capital projects.
- \$586.3 million in the Other Governmental Funds in the General Government function primarily represents \$277.6 million in the Unclaimed Property Funds, \$136.9 million in the Marijuana Tax Cash Fund, \$75.8 million in Tobacco Litigation Settlement Funds, \$50.2 million in the Disaster Emergency Fund and \$31.5 million in the Marijuana Cash Fund.
- \$219.8 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, \$26.3 million in the Advance Industries Acceleration Fund, \$20.8 million in the Mortgage Fraud Custodial Fund and \$13.8 million in the Workmen's Compensation Funds.
- \$187.8 million in Other Governmental Funds in the Justice function primarily represents \$32.7 million in the Consumer Protection Custodial Fund, \$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 \$444.9 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:

	General Fund	Resource Extraction	Highway Users Tax
DUE FROM OTHER FUNDS			
(DOLLARS IN THOUSANDS)			
MAJOR FUNDS:			
General Fund	\$ 41,151	\$ 66	\$ -
Resource Extraction	-	-	-
Highway Users Tax	-	-	-
Capital Projects	-	-	-
Higher Education Institutions	6,971	415	572
Unemployment Insurance	1	-	-
State Lottery	-	-	-
MAJOR FUNDS SUBTOTAL	48,123	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	\$ 50,087	\$ 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	\$ 86,166
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	119,424
-	-	-	-	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	\$ 159,878

A-79

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 \$15.2 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 \$41.2 million within the General Fund primarily includes \$40.5 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 \$16.4 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.

A-80

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTERFUND TRANSFERS

Transfers between funds for the fiscal year ended June 30, 2017, were:

	General Fund	Resource Extraction	Highway Users Tax
TRANSFER-OUT FUND			
(DOLLARS IN THOUSANDS)			
MAJOR FUNDS:			
General Fund	\$ 3,816,774	\$ 4,343	\$ 79,396
Resource Extraction	47,072	-	-
Highway Users Tax	12,797	-	-
Capital Projects	1,571	-	500
State Education	8,990	-	-
Higher Education Institutions	5,440	-	-
Unemployment Insurance	18	-	-
State Lottery	55,664	-	30
MAJOR FUNDS SUBTOTAL	3,948,326	4,343	79,926
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	221	353	-
Gaming	15,673	15	-
Tobacco Impact Mitigation	3,415	-	9
Resource Management	51	-	-
Environment and Health Protection	11,698	-	-
Unclaimed Property	182	-	-
Other Special Revenue	98,784	-	3,780
PERMANENT FUNDS:			
State Lands Trust	79,725	-	-
OTHER GOVERNMENTAL FUNDS SUBTOTAL	209,749	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	\$ 4,171,116	\$ 4,711	\$ 83,715

TRANSFER-IN FUND				
(DOLLARS IN THOUSANDS)				
Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
\$ 88,983	\$ 25,321	\$ 230,230	\$ 190,911	\$ 4,435,958
-	-	7,019	2,289	56,380
1,152	-	-	134,068	148,017
-	-	138,708	5,115	145,894
-	-	7,847	34,025	50,862
-	-	-	-	5,440
-	-	-	-	18
-	-	-	14,020	69,714
90,135	25,321	383,804	380,428	4,912,283
-	-	-	44	618
1,557	-	8,712	17,279	43,236
7,386	-	15,325	2,407	28,542
-	-	-	-	51
-	-	-	359	12,057
-	-	-	25	207
10	-	13	37,879	140,466
-	-	730	192	80,647
8,953	-	24,780	58,185	305,824
-	-	-	-	4,318
-	-	-	-	79
-	-	-	-	112
-	-	-	-	942
-	-	-	-	1,977
-	-	-	-	79
-	-	-	-	10
-	-	-	-	-
-	-	-	48	459
-	-	-	48	7,976
-	-	-	-	368
-	-	-	-	388
-	-	-	305	1,024
-	-	-	-	71
-	-	-	73	3,329
-	-	-	-	215
-	-	-	378	5,395
-	-	-	-	73
-	-	-	-	23
-	-	-	-	96
\$ 99,088	\$ 25,321	\$ 408,584	\$ 439,039	\$ 5,231,574

18-A

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 \$103.6 million from the State 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 State 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 \$15.7 million 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 includes \$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). 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 2017, 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 2011, and has a final maturity date of Fiscal Year 2041. 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 1999 and furthest maturity date of Fiscal Year 2055. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately \$1.6 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 2016 and has a final maturity date of Fiscal Year 2047. The pledged revenue represents approximately 76.4 percent of the revenue stream, and \$2.4 billion of the pledge (principal and interest) remains outstanding.
- \$152.3 million (net) 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 2008 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 57.5 percent of the total revenue stream, and \$1.8 billion of the pledge (principal and interest) remains outstanding.
- \$46 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 1999 and has a final maturity date of Fiscal Year 2043. 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 2010 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 10 percent of the tuition revenue stream and 100 percent of the fee and other revenues revenue stream, and \$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 2010 and has a final maturity date of Fiscal Year 2045. 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 2008 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 41.2 percent of the net total auxiliary, extended studies, and student fee revenue streams; 100 percent of gross facility & admin cost recoveries; and 10

percent of gross general fund tuition revenue. \$235.7 million of the pledge (principal and interest) remains outstanding.

- \$11.8 million pledged by the Auraria Higher Education Center to secure \$6.3 million of current principal and interest on debt issued to finance construction of Tivoli Student Union park, coffee lounge, and patio and building parking structures. The debt issuances had an earliest origination date of Fiscal Year 2006 and furthest maturity date of Fiscal Year 2034. The pledged revenue represents 58.4 percent of the net and 100 percent of the gross auxiliary revenue stream. \$86.9 million of the pledge (principal and interest) remains outstanding.
- \$9.1 million (net) 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 2008 and has a final maturity date of Fiscal Year 2044. The pledged revenue represents 48.6 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 2008 and furthest maturity date of Fiscal Year 2038. 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 2010 and furthest maturity date of Fiscal Year 2045. 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	2,170,616	(618,649)	1,551,967	117,118	160,835	277,953
Statewide Bridge Enterprise	109,927	-	109,927	-	18,234	18,234
	\$ 2,280,543	\$ (618,649)	\$ 1,661,894	\$ 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 Restricted for 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 Restricted for 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 ten 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, nonmajor, and blended 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 2016-17, the foundation distributed \$139.5 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 2016-17, the foundation transferred \$49.1 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 2016-17 the foundation transferred, \$24.3 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 2016-17, the foundation transferred \$9.7 million to the University.

B. NONMAJOR COMPONENT UNITS

The *Denver Metropolitan Major League Baseball Stadium District* currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, 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, agritechology, medical device, and retail

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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.

C. BLENDED COMPONENT UNITS

University Physicians, Inc. d/b/a CU Medicine, is a Colorado nonprofit corporation under Section 501(C)(3) of the Internal Revenue Code, organized to perform the billing, collection, and disbursement functions for professional services for CU Anschutz. CU Medicine is the School of Medicine's (SOM) faculty practice plan with approximately 3,000 providers. CU Medicine does not employ physicians or practice medicine directly; it provides business and administrative support for the clinical faculty employed by the SOM. The majority of patients cared for reside within the Denver metropolitan area. The University of Colorado appoints a majority of CU Medicine's governing body, and is able to impose its will. Additionally, CU Medicine exclusively benefits the University of Colorado by providing the services described above. Detailed financial information may be obtained directly from CU Medicine at P.O. Box 111719, Aurora, CO 80042-1719.

Established in 2016 with operations starting in Fiscal Year 2017, the *University of Colorado Property Corporation, Inc. (CUPCO)* holds, invests, maintains, operated, and administers real and personal property for the benefit of the University. CUPCO is a nonprofit corporation under Section 501(C)(3) of the Internal Revenue Code. The University of Colorado appoints CUPCO's governing body, is able to impose its will on the organization and the organization provides services entirely to the University. Detailed financial information may be obtained directly from CUPCO at 1800 Grant Street, Suite 725, Denver, CO 80203.

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 Statutes 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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO		AURARIA HIGHER EDUCATION CENTER	
	CU MEDICINE	CAMPUS VILLAGE APARTMENTS	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:				
Current Assets	\$ 245,666	\$ 5,003	\$ 4,441	\$ 10,287
Other Assets	243,536	5,165	4,723	21
Capital Assets	40,649	29,379	46,007	20,854
Total Assets	529,851	39,547	55,171	31,162
DEFERRED OUTFLOW OF RESOURCES	-	-	1,754	392
LIABILITIES:				
Current Liabilities	48,706	1,698	2,766	5,042
Noncurrent Liabilities	7,653	52,407	43,637	29,174
Total Liabilities	56,359	54,105	46,403	34,216
DEFERRED INFLOW OF RESOURCES	-	-	61	41
NET POSITION:				
Net Investment in Capital Assets	31,699	(22,473)	1,572	2,296
Restricted for Permanent Endowments:				
Restricted Net Position	-	7,977	4,555	2,261
Unrestricted	441,793	(62)	4,334	(7,260)
Total Net Position	\$ 473,492	\$ (14,558)	\$ 10,461	\$ (2,703)

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES:				
Tuition and Fees	\$ -	\$ -	\$ -	\$ 5,460
Sales of Goods and Services	848,898	3,227	10,647	17,782
Other	-	-	-	55
Total Operating Revenues	848,898	3,227	10,647	23,297
OPERATING EXPENSES:				
Depreciation	4,722	674	2,463	1,765
Other	789,968	1,623	5,522	20,326
Total Operating Expenses	794,690	2,297	7,985	22,091
OPERATING INCOME	54,208	930	2,662	1,206
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income	3,310	123	131	38
Gifts and Donations	(11,533)	895	-	-
Other Nonoperating Revenues	34	-	-	-
Debt Service	(220)	(1,480)	(1,631)	(727)
Other Nonoperating Expenses	-	-	(3,270)	(3,513)
Total Nonoperating Revenues(Expenses)	(8,409)	(462)	(4,770)	(4,202)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Transfers-In	-	-	(1,408)	(727)
Transfers-Out	-	-	(3,141)	(3,066)
Special and Extraordinary Items	-	(15,026)	-	-
Total Contributions, Transfers, and Other	-	(15,026)	(4,549)	(3,793)
CHANGE IN NET POSITION	45,799	(14,558)	(6,657)	(6,789)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	427,693	-	17,118	4,086
TOTAL NET POSITION - FISCAL YEAR ENDING	\$ 473,492	\$ (14,558)	\$ 10,461	\$ (2,703)

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

NET CASH PROVIDED (USED) BY:				
Operating Activities	\$ 39,038	\$ 1,176	\$ 3,256	\$ 2,191
Noncapital Financing Activities	(11,533)	895	(1,408)	2,337
Capital and Related Financing Activities	(3,757)	(1,759)	(3,191)	(3,681)
Investing Activities	(27,268)	(484)	(132)	(69)
NET DECREASE IN CASH AND POOLED CASH	(3,520)	(172)	(1,475)	778
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	84,577	937	5,410	5,182
CASH AND POOLED CASH, FISCAL YEAR ENDING	\$ 81,057	\$ 765	\$ 3,935	\$ 5,960

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.

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.

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. At June 30, 2017, the College had receivables from the Foundation of \$200,160.

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. The University paid the Foundation \$127,547 for the lease and operation of the Center for Visual Arts.

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 College provided the Foundation \$235,332 in in-kind expense, payments of deposits held in custody, and other payments.

The Community College of Aurora Foundation provided the Community College of Aurora with scholarships and grants in Fiscal Year 2016-17 for \$588,081. The College had outstanding receivables from the Foundation of \$79,295 as June 30, 2017. In previous years, the Community College of Aurora made lease payments to the Community College of Aurora Foundation for the CentreTech Campus. The Community College of Aurora purchased the CentreTech campus, which consists of land and three buildings, for \$7.5 million in April 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. The College provided \$38,145 of staff time to the Foundation in Fiscal Year 2016-17.

Front Range Community College received \$550,411 from the Front Range Community College Foundation 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, capital construction support, and grant funds. The College in turn provided \$305,124 of operating support to the Foundation. At June 30, 2017, The College had \$305,379 of receivables from 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. At June 30, 2017, The College had receivables of \$138,602 from the Foundation.

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.

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 Revolving Loan Fund and Loan Loss Reserve programs that provide 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.

A-86

NOTE 19 – COMMITMENTS AND CONTINGENCIES

SERVICE CONCESSION ARRANGEMENTS

On February 25 2014, the High Performance Transportation Enterprise (HPTE) and Plenary Roads Denver (PRD) completed the financial close of a 50 year concession arrangement. The concession arrangement is HPTE and CDOT's first public private partnership (P3) project, where public and private sectors work together to provide transportation improvements.

The commercial close of the concession arrangement transferred from HPTE to PRD the operations, maintenance, and revenues related to the existing I-25 High Occupancy Toll (HOT) lanes and the U.S. 36 Phase I project once completed in July 2015. Additionally, PRD assumed HPTE's 50 year \$54 million TIFIA loan at the completion of U.S. 36 Phase I. PRD also financed, designed, and constructed U.S. 36 Phase II. Once completed in March 2016, PRD transferred the Phase II capital asset with an acquisition value of \$88,716,505 to HPTE. PRD subsequently assumed the operations, maintenance, and revenues from U.S. 36 Phase II. PRD has the right to collect tolls and raise rates with permission from the HPTE Board. If the Board does not approve the rate increase, HPTE must compensate PRD for any lost revenue.

HPTE reported deferred inflow of resources related to the arrangement of \$139,455,195 which is included on the *Statement of Net Position*. The table below shows the carrying amount of HPTE's capital assets at fiscal year-end pursuant to the concession arrangement.

Project	Description	Carrying Amount
U.S. 36 Phase I	Tolling Equipment and Software	\$ 349,076
U.S. 36 Phase I	Managed Lanes	150,198,826
U.S. 36 Phase I	36 Tolling Stations	970,378
U.S. 36 Phase II	Tolling Equipment and Software	319,186
U.S. 36 Phase II	Managed Lanes	99,240,961
U.S. 36 Phase II	36 Tolling Stations	\$ 349,143

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.

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 \$1.9 billion, of the \$7.6 billion outstanding balance of loans in repayment status. An estimated liability of \$132 million is calculated based on a default rate of 6.9% of the \$1.9 billion. 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 \$139 million.

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 income tax refunds of \$13.7 million and \$22.3 million. While the Court of Appeals ruled in the taxpayer's favor in both claims on November 2, 2017 and November 30, 2017, respectively, the State will file petitions in the Colorado Supreme Court and the Department of Revenue will continue to 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 \$9.1 billion are outstanding. Of this amount, \$729 million 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 (HCPF), as well as several other states, may have to repay a portion of the \$38.4 million Children's Health Insurance Program Reorganization Act (CHIPRA) Bonus payments it received from CMS based on an Office of the Inspector General (OIG) audit finding. HCPF strongly disagrees with this OIG audit finding and believes the OIG misinterpreted federal regulations and written guidance related to the CHIPRA bonus calculation. HCPF 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 CMS conducted an onsite visit of the Pueblo Regional Center (PRC) and sent 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.

Two suits were filed in U.S. District Court against HCPF and the Department of Corrections (DOC) in which the plaintiffs seek to expand the coverage of Direct Antiviral Acting (DAA) drugs for treatment of Hepatitis C. One suit enjoins HCPF from implementing any policy or protocol that denies access to DAA drugs to any Medicaid beneficiary who is infected with Hepatitis C; HCPF estimates that it would cost \$200 million to provide DAA drugs to all Medicaid recipients infected with Hepatitis C. The other suit enjoins DOC from delaying or denying this treatment for inmates needing treatment. DOC estimates a cost of \$59.3 million for medications at issue. The original HCPF case 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 action; that motion is fully briefed and pending before the court. HCPF will vigorously defend these claims. The DOC case was filed on July 19, 2017. The State filed a motion to dismiss and a motion to stay further litigation. DOC will vigorously defend the case while awaiting a ruling. The likelihood of an unfavorable outcome is uncertain for both cases.

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit in Denver District Court against HCPF alleging that the hospital provider fee is a tax, not a fee, and therefore requires a vote of the people. The plaintiff challenges the fee imposed in Fiscal Years 2011, 2012 and 2013, and seeks a refund of all revenue collected, kept, or spent unconstitutionally, plus interest. Approximately \$5.4 billion has been collected in fees through Fiscal Year 2017. The Complaint was filed on June 26, 2015. HCPF 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 Hospital Association filed a motion to intervene in the case, which was granted on December 11, 2017. The plaintiff then filed a second Amended Complaint on December 19, 2017, adding the Colorado Union of Taxpayers Foundation and two individuals as plaintiffs, and alleging the fee violates TABOR in that it constitutes a change in tax policy resulting in a net tax revenue to the State. HCPF has objected to this and will continue to vigorously defend these 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.

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.

There is a Notice of Claim (NOC) regarding potential claims against the Department of Public Health and Environment (CDPHE). The NOC contends the CDPHE is responsible for the death of a child who died while under the care of a licensed child care provider; compensatory damages in excess of \$5 million are sought. To date, no lawsuit has been filed; should an action be filed, CDPHE will vigorously defend the action. The likelihood of an unfavorable outcome is uncertain.

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 – TAX ABATEMENTS

Facts and Assumptions

The Governor's Office of Economic Development and International Trade (OEDIT) – through the State Economic Development Commission (EDC) – supports recruitment, retention, and economic growth throughout the State by offering a variety of incentives and tax credits. OEDIT provided significant tax abatements under four programs during the fiscal year: Colorado Enterprise Zone Business Tax Credits, Colorado Enterprise Zone Contribution Tax Credits (included as part of the Enterprise Zone Business Tax Credits program), Job Growth Incentive Tax Credits, and the Regional Tourism Act program.

- The Colorado Enterprise Zone (EZ) program was created under Article 30 of Title 39 of the Colorado Revised Statutes (C.R.S.) to promote a business friendly environment in economically distressed areas by offering state income tax credits that incentivize businesses to locate and develop in these communities. The Enterprise Zone Contribution Credit is a sub-credit of the Enterprise Zone program created under Section 39-30-103.5, C.R.S. The Contribution Credit is issued to taxpayers that contribute to an economic development project initiated by the local zone administrator and approved by the EDC. Taxpayers investing in Enterprise Zones can earn a credit on their Colorado income tax by planning and executing specific economic development activities. The following incentives can be earned by businesses located in Enterprise Zones:

Business Income Tax Credits	Credit Amount
Investment Tax Credit	3.0 percent of equipment purchases
Commercial Vehicles Investment Tax Credit	1.5 percent of commercial vehicle purchases
Job Training Tax Credit	12 percent of qualified training expenses
New Employee Credit	\$1,100 per new job created
Agricultural Processor New Employee Credit	\$500 per new job created
Employer Sponsored Health Insurance Credit	\$1,000 per covered employee
Research & Development Increase Tax Credit	3 percent of increased R&D expenditures
Vacant Commercial Building Rehabilitation Tax Credit	25 percent of rehabilitation expenditures
Additional EZ Incentives	
Incentive Amount	
Manufacturing/Mining Sales and Use Tax Exemption	Expanded Sales & Use tax exemption in EZ
Contribution Tax Credit	25 percent cash/12.5 percent in-kind

Areas with high unemployment rates (25% above the State average), low per capita income (25% below the State average), and/or slower population growth (less than 25% of the State average in rural areas) may be approved for EZ designation by the EDC.

Each income tax year, a business located in an EZ must apply and be pre-certified prior to beginning an activity to earn any of the business tax credits listed in the table above. When pre-certifying, the business states that the credit is a contributing factor to the start-up, expansion, or relocation of the business. To certify for the credit, the investments and/or new jobs must have been made. At the end of the income tax year, a business must certify that the activities were performed. Contribution Tax Credits are earned by taxpayers making donations to eligible EZ Contribution Projects, and certifying those donations with the project organization or Local Enterprise Zone Administrator. The Commercial Vehicle Investment Tax Credit has a separate online application process.

The provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue.

- The Job Growth Incentive Tax Credit (JGITC) is a performance-based job creation incentive program created under Section 39-22-531 C.R.S., in which businesses must create and maintain permanent new jobs for one year before receiving the tax credit. The JGITC provides a state income tax credit equal to 50% of FICA paid by the business on the net job growth for each calendar year in the credit period. A business must undertake a job creation project for which the State of Colorado is competing with at least one other state for the project. The JGITC must be a major factor in the business decision to locate or

retain the project in Colorado, and a business may not start or announce the proposed project (including locating or expanding in the State, hiring employees related to the project, or making material expenditures for the project) until a final application has been submitted and approved by the EDC.

Businesses have to create at least 20 new jobs (full-time equivalents) in Colorado during the credit period with an average yearly wage of at least 100% of the county average wage based on where the business is located. A business located in an Enhanced Rural Enterprise Zone must create at least five net new jobs (full-time equivalents) in Colorado during the credit period with an average yearly wage of at least 100% of the county average wage based on where the business is located. The credit period is 96 consecutive months.

The provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue.

- The Regional Tourism Act (RTA) program was created under Sections 24-46-301 through 309 C.R.S., and provides Tax Increment Financing (TIF) to support construction of unique and extraordinary large scale tourism and entertainment facilities that will drive net new visitors and revenue to Colorado. A percentage of state sales tax within a geographic area in a given year that exceeds a base year amount is collected by the Department of Revenue and diverted to a project financing entity. The EDC shall not approve any project that would likely create an annual state sales tax revenue dedication of more than \$50 million to all regional tourism projects. A local government will need to submit a regional tourism project application to OEDIT within the application cycle deadline. OEDIT will review the application for general completeness and to make an initial determination regarding whether the application has met the general criteria for a regional tourism project. The EDC will review applications forwarded with OEDIT recommendations and may approve or reject the project based on a demonstration that the following criteria are materially met:
 - The project is of an extraordinary/unique nature and is reasonably anticipated to contribute significantly to economic development and tourism in the State and communities where the project is located.
 - The project is reasonably anticipated to result in a substantial increase in out-of-state tourism.
 - A significant portion of sales tax revenue generated by the project is reasonably anticipated to be attributable to transactions with nonresidents of the zone.
 - The local government has provided reliable economic data demonstrating that in the absence of state sales tax increment revenue, the project is not reasonably anticipated to be developed within the foreseeable future.

Recipients must follow the EDC resolution based on their application, and must build certain required elements and improvements and follow conditions established by the EDC. The provision for recapturing abated taxes is a formal decision by the EDC concluding the project has not commenced within five years.

Information relevant to disclosure of these tax abatement programs for the fiscal year ended June 30, 2017 is as follows:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Colorado Enterprise Zone Business Tax Credits	\$ 67,023
Colorado Enterprise Zone Contribution Tax Credits	14,711
Job Growth Incentive Tax Credits	12,619
Regional Tourism Act	4,766
Total	\$ 99,119

NOTE 21 – 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% to 5% with final maturity December 1, 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.

On August 24, 2017, Keiwi Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the \$1,200,000,000 project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the High Performance Transportation Enterprise (HPTE) Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project that included CBE issuing \$114,660,000 of Private Activity Bonds (PABS) with a premium of \$6,105,426.30 and closing on a TIFIA loan totaling \$416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABS, CBE has no liabilities to record. The debt will be repaid by KMP. Construction is scheduled to begin in the Fall of 2018.

On September 26, 2017, Auraria Higher Education Center issued Series 2017 Certificates of Participation (COP) in the amount of \$12,560,000 for the purpose of advance refunding \$12,428,458 in Series 2008 Certificates of Participation. Proceeds were placed in an escrow fund and the COPs will be fully redeemed May 1, 2019. The Series 2017 COPs are payable in semiannual installments with annual principal payments ranging from \$1,015,000 to \$1,255,000 and a fixed interest rate of 2.42%.

On October 2, 2017, Colorado State University System sold \$103,810,000 tax-exempt Series 2017A and \$13,800,000 tax-exempt Series 2017B System Enterprise Refunding Bonds. The 2017A bonds were sold as State-Intercept backed bonds and will refund a portion of Series 2012A bonds. The Series 2017B bonds will refund a portion of Series 2013C bonds. Proceeds from the bonds will be used to pay the cost of issuing the bonds.

On December 7, 2017, the State issued Building Excellent Schools Today (BEST) Certificates of Participation (COP), Series 2017J in the amount of \$156,305,000 and Refunding Certificates of Participation, Series 2017K in the amount of \$115,790,000. These BEST COPs were issued as tax exempt bonds with premiums of \$21,344,412 and \$16,938,517, respectively; average coupon rates of 4.77% and 4.97%, respectively; and true interest costs of 3.82% and 2.51%, respectively. Base rents are due semiannually beginning on March 15, 2018, with a final maturity date of March 15, 2042.

On December 12, 2017, the University of Colorado issued \$471,390,000 of tax-exempt University Enterprise Revenue Bonds, Series 2017 A-2 and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues, as defined. The Series 2017 A-2 bonds have interest rates ranging from 3% to 5% and the bonds mature through June 1, 2046.

On December 12, 2017, the Colorado School of Mines issued \$71,880,000 with a premium of \$13,867,559.55 in Institutional Enterprise Revenue Bonds, Series 2017B. The coupon rates of the bonds range from 4% to 5% with

final maturity December 1, 2047. Proceeds of the Series 2017B bonds will be used for financing certain improvements at the Colorado School of Mines as well as the cost of bond issuance.

On December 13, 2017, the State Board for Community Colleges and Occupational Education (SBCCOE) approved a bond resolution for the issuance of System-wide Revenue Refunding and Improvement Bonds. The Official Statement is dated December 19, 2017. The Series 2017A System-wide Revenue Refunding and Improvement Bonds in the amount of \$34,850,000 will be used to finance the construction at the Arapahoe Community College Castle Rock Collaboration Campus and advance refund the Series 2013 System-wide Revenue Bonds for the Front Range Community College Larimer & Westminster Campus Projects. The Series 2017B System-wide Revenue Refunding Bonds in the amount of \$8,195,000 will be used for the advance refunding of a portion of the 2010B-2 Taxable System-wide Revenue Bonds for the Colorado Northwestern Project and Northeastern Junior College Project. The coupon rates of the Series 2017A bonds range from 2% to 5% while the coupon rates of the Series 2017B bonds range from 3% to 5%.

On December 20, 2017, Colorado State University System sold \$185,245,000 tax-exempt Series 2017C and \$19,465,000 tax-exempt Series 2017D System Enterprise Refunding Bonds. The 2017C bonds were sold as State-Intercept backed bonds and will refund a portion of Series 2013E and 2015E bonds and the Series 2017D bonds will refund a portion of Series 2013C and 2015A bonds. Proceeds from the bonds will be used to pay the cost of issuing the bonds.

On December 21, 2017, the Colorado School of Mines issued \$35,030,000 with a premium of \$3,709,189.20 in Institutional Enterprise Revenue Refunding Bonds, Series 2017C. The coupon rates of the bonds range from 3% to 5% with final maturity December 1, 2042. Proceeds of the Series 2017C bonds will be used for refunding Refunded Series 2012B bonds as well as the cost of bond issuance.

On December 28, 2017, Colorado State University System sold \$35,785,000 tax-exempt Series 2017E and \$19,700,000 tax-exempt Series 2017F System Enterprise Refunding Bonds. The 2017E bonds were sold as State-Intercept backed bonds and will refund a portion of Series 2015E bonds and the Series 2017F bonds will refund a portion of Series 2015A bonds. Proceeds from the bonds will be used to pay the cost of issuing the bonds.

On January 16, 2018, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2017B. The notes mature on June 28, 2018. The total due on that date includes \$375,000,000 in principal and \$6,750,000 in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$4,612,500, an average coupon rate of 4.00%, and a true interest cost of 1.26%.

B. OTHER

On December 6, 2017 CollegenInvest entered into a 10 year lease agreement with LBA Realty Fund II – WBP IV, LLC. The amount of the lease is \$4,768,000.

On January 16, 2018, the Colorado State University System entered into a floating to fixed interest rate Swap Agreement in connection with the Series 2015D Variable Rate Bonds. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The Swap Agreement has a notional amount of \$66,655,000, and an effective date (start date) of July 1, 2019 and a termination date of March 1, 2047. The Royal Bank of Canada (RBC) is the counterparty to the Swap Agreement.

Pursuant to a portion of House Bill 15-1344 (collectively, the “Lease Purchase Act”), the General Assembly authorized the execution by the State Treasurer of one or more lease-purchase agreements with a maximum term of 20 years of principal and interest payments for the purpose of financing the construction of certain facilities for Colorado State University at the National Western Center in Denver, Colorado and affiliated facilities on CSU’s campus. The Series 2018 Certificates will be payable solely from amounts annually appropriated by the General Assembly to the National Western Center (“NWC”) Trust Fund from the General Fund to make payments under the Lease. The Series 2018 Certificates are expected to be issued in March 2018 for approximately \$140,000,000.

Proceeds of the Series 2018 Certificates will be used to finance a portion of the construction costs of Health Education Outreach Center, Equine Veterinary Teaching Hospital, Translational Medical Institute, the Water Resource Center at the National Western Center and purchase the land associated with the National Western Center facilities.

The Board of Governors of the Colorado State University System approved a resolution on August 2, 2017 authorizing the issuance of \$50,000,000 taxable and tax-exempt commercial paper. It is anticipated that the commercial paper will be backed by self-liquidity. The commercial paper note proceeds will be used to bridge finance improvement projects; pay capitalized interest, if any; and pay certain costs relating to the issuance of the notes. The first issuance of the commercial paper notes is expected to be in March, 2018.

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:

Years	Amount
1 - 5	\$7,500,000
6 - 20	5,000,000
21 - 30	1,250,000
31 - 99	100



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			\$ 3,006,665	
Income Taxes			6,295,927	
Other Taxes			274,464	
Federal Grants and Contracts			(727)	
Sales and Services			319	
Interest Earnings			16,310	
Other Revenues			37,718	
Transfers-In			135,814	
TOTAL REVENUES AND TRANSFERS-IN			9,766,489	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 10,753	\$ 10,753	10,688	\$ 65
Corrections	759,196	751,004	749,146	1,858
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	2,622,672	2,530,440	92,232
Higher Education	871,035	869,498	869,307	191
Human Services	831,638	829,349	824,237	5,112
Judicial Branch	486,329	491,242	487,640	3,602
Labor and Employment	20,786	20,685	20,593	92
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
Treasury	3,308	3,308	1,080	2,228
SUB-TOTAL OPERATING BUDGETS	9,814,190	9,771,115	9,662,415	108,700
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
Higher Education	22,313	174,556	130,391	44,165
Human Services	20,576	50,487	20,536	29,951
Military and Veterans Affairs	3,975	4,049	1,003	3,046
Personnel & Administration	11,484	31,787	16,105	15,682
Public Health and Environment	-	167	71	96
Public Safety	1,535	2,737	938	1,799
Revenue	-	83,427	20,935	62,492
Transportation	500	500	500	-
Treasury	-	13	-	13
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	92,686	441,707	223,179	218,528
TOTAL EXPENDITURES AND TRANSFERS-OUT	\$ 9,906,876	\$ 10,212,822	9,885,594	\$ 327,228
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			\$ (119,105)	

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



COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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	
Tuition and Fees			2,676,121	
Sales and Services			1,141,860	
Interest Earnings			28,753	
Other Revenues			685,985	
Transfers-In			1,179,323	
Capital Contributions			2,093	
TOTAL REVENUES AND TRANSFERS-IN			6,385,376	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 33,192	\$ 30,597	27,612	\$ 2,985
Corrections	71,161	80,814	51,655	29,159
Education	1,059,632	1,059,808	951,119	108,689
Governor	241,844	241,884	206,271	35,613
Health Care Policy and Financing	1,019,032	1,051,911	1,023,450	28,461
Higher Education	2,781,026	2,817,153	2,749,891	67,262
Human Services	237,974	242,196	193,071	49,125
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	119,825	122,124	108,767	13,357
Public Health and Environment	232,934	235,773	202,971	32,802
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	2,517	215
SUB-TOTAL OPERATING BUDGETS	6,866,166	6,955,889	6,452,130	503,759
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	16,709	18,174	854	17,320
Corrections	660	1,322	-	1,322
Governor	-	18,587	617	17,970
Higher Education	2,757	149,429	71,784	77,645
Human Services	1,003	989	17	972
Judicial Branch	-	5,464	-	5,464
Labor and Employment	26,213	27,352	9,811	17,541
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
Transportation	-	500	500	-
Treasury	-	237	-	237
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	57,672	295,996	93,363	202,633
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 6,923,838	\$ 7,251,885	6,545,493	706,392
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			\$ (160,117)	

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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:				
Federal Grants and Contracts			\$ 5,099,413	
TOTAL REVENUES AND TRANSFERS-IN			5,099,413	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Health Care Policy and Financing	\$ 5,194,175	\$ 5,141,655	4,738,674	\$ 402,981
Human Services	315,078	317,086	296,438	20,648
Labor and Employment	38,257	41,642	36,985	4,657
Military and Veterans Affairs	-	372	36	336
Public Health and Environment	21,056	19,749	17,331	2,418
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	5,568,566	5,520,504	5,089,464	431,040
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 5,568,566	\$ 5,520,504	5,089,464	\$ 431,040
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			\$ 9,949	

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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	\$ 9,680,915	\$ -	\$ -	\$ 85,574
Cash	623,307	42,891	260,234	78,292
Federal	5,096,401	-	-	53
Sub-Total Revenues and Transfers-In Appropriated	15,400,623	42,891	260,234	163,919
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	585,037	-	-	-
Cash	4,140,758	404,759	2,016,230	11,729
Federal	2,611,941	109,964	843,438	10,943
Sub-Total Revenues and Transfers-In Non-Appropriated	7,337,736	514,723	2,859,668	22,672
Total Revenues and Transfers-In Appropriated and Non-Appropriated	22,738,359	557,614	3,119,902	186,591
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	9,662,415	-	-	223,179
Cash Funded	889,542	52,846	252,862	77,903
Federally Funded	5,088,305	-	-	53
Expenditures/Expenses and Transfers-Out Appropriated	15,340,362	52,846	252,862	301,135
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):				
General Funded	611,227	-	-	-
Cash Funded	4,054,909	232,115	2,181,365	8,636
Federally Funded	2,616,655	109,970	730,877	10,947
Expenditures/Expenses and Transfers-Out Non-Appropriated	7,282,791	342,085	2,912,242	19,483
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,623,153	394,931	3,165,104	320,618
Excess of Revenues and Transfers-In Over (Under)				
Expenditures and Transfers-Out - Budget Basis - Appropriated	60,261	(9,955)	7,372	(137,216)
Excess of Revenues and Transfers-In Over (Under)				
Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	54,945	172,638	(52,574)	3,189
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	(8,790)	(5,845)	(5,465)	(2,107)
Increase/(Decrease) for GAAP Expenditures Not Budgeted	452,836	119,861	803,708	69,324
Increase/(Decrease) for GAAP Revenue Adjustments	(481,816)	(345,776)	(803,742)	(71,260)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	77,436	(69,077)	(50,701)	(138,070)
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	1,076,582	1,310,940	1,031,421	386,194
Prior Period Adjustments (See Note 15A)	-	-	-	-
Accounting Changes (See Note 15B)	-	-	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	\$ 1,154,018	\$ 1,241,863	\$ 980,720	\$ 248,124

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

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	PROPRIETARY FUND TYPES							FIDUCIARY FUND TYPES	TOTAL PRIMARY GOVERNMENT
	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE		
BUDGETARY BASIS:									
Revenues and Transfers-In Appropriated (Required Supplementary Information):									
State Education	\$ 569,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,766,489
Other Governmental Funds	-	1,537,586	2,720,826	13,416	703	210,409	325,214	3,006	6,385,376
Higher Education Institutions	-	1,992	6	-	-	961	-	-	5,099,413
Unemployment Insurance	-	-	-	13,416	-	-	-	-	-
State Lottery	-	-	-	-	703	-	-	-	-
Other Enterprise Funds	-	-	-	-	-	211,370	325,214	3,006	21,251,278
Internal Service	-	-	-	-	-	-	-	-	-
Sub-Total Revenues and Transfers-In Appropriated	569,492	1,539,578	2,720,832	13,416	703	211,370	325,214	3,006	21,251,278
Revenues and Transfers-In Non-Appropriated (Supplementary Information):									
State Education	-	-	-	-	-	-	-	-	585,037
Other Governmental Funds	-	1,553,002	330,872	654,319	556,900	349,435	61,181	2,327,086	12,406,271
Higher Education Institutions	-	164,943	-	20,232	-	426,726	-	-	4,188,187
Unemployment Insurance	-	-	-	674,551	-	556,900	-	-	17,179,495
State Lottery	-	-	-	-	557,603	-	-	-	-
Other Enterprise Funds	-	-	-	-	-	987,531	386,395	2,330,092	38,430,773
Internal Service	-	-	-	-	-	-	-	-	-
Sub-Total Revenues and Transfers-In Non-Appropriated	-	1,717,945	330,872	674,551	557,603	987,531	386,395	2,330,092	38,430,773
Total Revenues and Transfers-In Appropriated and Non-Appropriated	569,492	3,257,523	3,051,704	687,967	557,603	987,531	386,395	2,330,092	38,430,773
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):									
State Education	9,662,415	-	-	-	-	-	-	-	9,885,594
Other Governmental Funds	889,542	52,846	252,862	17,293	82,503	183,435	320,749	2,624	6,545,493
Higher Education Institutions	5,088,305	-	-	-	-	1,106	-	-	5,089,464
Unemployment Insurance	-	-	-	-	-	-	-	-	-
State Lottery	-	-	-	-	-	-	-	-	-
Other Enterprise Funds	-	-	-	-	-	184,541	320,749	2,624	21,520,551
Internal Service	-	-	-	-	-	-	-	-	-
Sub-Total Expenditures/Expenses and Transfers-Out Appropriated	15,340,362	52,846	252,862	17,293	82,503	184,541	320,749	2,624	21,520,551
Expenditures/Expenses and Transfers-Out Non-Appropriated(Supplementary Information):									
State Education	611,227	-	-	-	-	-	-	-	611,227
Other Governmental Funds	4,054,909	232,115	2,181,365	467,362	361,673	180,882	65,403	1,421,733	10,368,462
Higher Education Institutions	2,616,655	109,970	730,877	14,297	20,231	382,340	-	-	4,031,063
Unemployment Insurance	-	-	-	145,746	-	-	-	-	-
State Lottery	-	-	-	-	-	-	-	-	-
Other Enterprise Funds	-	-	-	-	-	563,022	65,403	1,421,733	15,010,752
Internal Service	-	-	-	-	-	-	-	-	-
Sub-Total Expenditures/Expenses and Transfers-Out Non-Appropriated	7,282,791	342,085	2,912,242	467,593	361,673	563,022	65,403	1,421,733	15,010,752
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	22,623,153	394,931	3,165,104	504,886	444,176	747,563	386,152	1,424,357	36,531,303
Excess of Revenues and Transfers-In Over (Under)									
Expenditures and Transfers-Out - Budget Basis - Appropriated	(166,141)	17,808	12,599	(3,877)	(81,800)	26,829	4,465	382	(269,273)
Excess of Revenues and Transfers-In Over (Under)									
Expenditures and Transfers-Out - Budget Basis - Non-Appropriated	(34,025)	342,836	185,279	186,958	195,227	213,139	(4,222)	905,353	2,168,743
BUDGETARY BASIS ADJUSTMENTS:									
Increase/(Decrease) for Unrealized Gains/Losses	(2,143)	(36,768)	(16)	(3)	(354)	(4,133)	(230)	(1,501)	(67,355)
Increase/(Decrease) for GAAP Expenditures Not Budgeted	391	582,324	21,273	(14,022)	(118,920)	(109,329)	(126,858)	1,826	1,682,414
Increase/(Decrease) for GAAP Revenue Adjustments	(391)	(764,202)	(1,380)	(244)	(711)	(21,266)	3,816	(5,310)	(2,492,282)
Increase/(Decrease) for Non-Budgeted Funds	-	-	(850,474)	-	-	-	-	-	(850,474)
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(202,309)	141,998	(632,719)	168,812	(6,558)	105,240	(123,029)	900,750	171,773
GAAP BASIS FUND BALANCES/NET POSITION:									
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	304,440	2,499,848	3,021,946	749,946	(20,558)	1,230,319	(278,085)	6,774,029	18,087,022
Prior Period Adjustments (See Note 15A)	-	(5,199)	-	-	-	545	-	-	(4,654)
Accounting Changes (See Note 15B)	-	-	(46,640)	-	-	-	-	71,535	24,895
FUND BALANCE/NET POSITION, FISCAL YEAR END	\$ 102,131	\$ 2,636,647	\$ 2,342,587	\$ 918,758	\$ (27,116)	\$ 1,336,104	\$ (401,114)	\$ 7,746,314	\$ 18,279,036

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, 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 \$509.8 million of the GAAP General Fund balance of \$1,154.0 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 Fund Components* 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 rolloffwards are subtracted from the revised budget and reduce the ending general fund surplus balance in the line item titled "State Controller Approved Rolloffwards" 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	-	-	(52)		
Insurance Tax	299,000	286,900	290,903		
Parimutuel, Courts, and Other	27,300	33,800	40,144		
Investment Income	12,800	13,500	14,749		
Severance Taxes to be Refunded	-	-	53,830		
TOTAL GENERAL PURPOSE REVENUES	10,562,500	10,312,100	10,263,961		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	10,753	10,753	10,688	\$ 65	\$ 8
Corrections	759,196	751,004	749,146	1,858	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	2,627,046	2,633,708	93,318	579
Higher Education	871,458	870,855	870,664	191	76
Human Services	831,638	829,680	824,380	5,300	3,432
Judicial Branch	486,329	491,398	487,795	3,603	25
Labor and Employment	20,786	21,607	21,514	93	507
Law	15,139	15,191	14,795	396	15
Legislative Branch	44,789	44,772	44,772	-	440
Local Affairs	25,015	25,386	25,189	197	985
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	189
Public Health and Environment	47,630	48,630	48,606	24	-
Public Safety	123,111	122,661	122,232	449	1,003
Regulatory Agencies	5,919	5,919	5,779	140	10
Revenue	192,758	209,757	204,426	5,331	133
State	-	-	392	-	56
Transportation	161,222	154,522	152,294	2,228	11,543
Treasury	-	-	-	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	10,101,853	10,084,089	9,969,255	\$ 114,834	\$ 37,727
Variance Between Actual and Estimated Budgets	5,547	(17,089)	-		
TOTAL ESTIMATED BUDGET	10,107,500	10,067,000	9,969,255		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	455,000	245,100	294,706		
EXCESS AUGMENTING REVENUES			37,727		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	46,100	45,000	43,977		
Transfers-Out To Various Cash Funds	(137,500)	(172,400)	(169,414)		
Transfer-Out to Capital Projects - General Fund	(84,000)	(84,000)	(83,964)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to Highway Users Fund	(158,000)	(79,000)	(79,000)		
Transfers-Out to State Education Fund	(25,300)	(25,300)	(25,321)		
TOTAL TRANSFERS	(359,200)	(316,200)	(314,242)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	95,800	(71,100)	18,191		
BEGINNING GENERAL FUND SURPLUS	7,900	48,800	48,847		
Release of Prior Year Statutory Reserve (5.6%)	520,700	463,900	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	-	-	-		
GAAP Revenues/(Expenditures) Not Budgeted	-	-	79,035		
Release of Assigned Prior Year State Controller Approved Rolloffwards	-	-	19,283		
State Controller Approved Rolloffwards	-	-	(17,218)		
ENDING GENERAL FUND SURPLUS	\$ (10,500)	\$ (142,700)	30,154		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2017-18 for Budget				(186,302)	
GAAP Payroll Expenditures Deferred to Fiscal Year 2017-18 for Budget				(98,487)	
GAAP Information Technology Expenditures Deferred to Fiscal Year 2017-18 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		
Committed			448,899		
Assigned			17,218		
Shortfall in GAAP Basis Statutory Reserve			139,411		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			\$ 509,802		

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

A-95

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 schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments”.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure and how nonappropriated revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure relate to the change in fund balances/net position for the funds presented in the fund-level financial statements.

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense related to loan activity and depreciation, are not budgeted by the General Assembly. In addition, certain General Purpose Revenue Fund payroll disbursements for employee time worked in June by employees paid on a monthly basis, June general-funded purchases of service from the Office of Information Technology, and Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30 are excluded from the expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as “GAAP Expenditures Not Budgeted”. Additionally, this line item includes some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis.

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual schedules is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The State uses encumbrance accounting as an extension of formal budget implementation in most funds except certain fiduciary funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTE RSI-2 – THE STATE’S DEFINED BENEFIT PENSION PLAN

A. PROPORTIONATE SHARE OF PENSION LIABILITY 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.

	CY 2017		CY 2016		CY 2015		CY 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%	95.83%	93.60%	95.86%	93.44%
State's proportionate Share of Net Pension liability (asset)	\$ 17,539,728	\$ 239,423	\$ 10,070,252	\$ 172,828	\$ 9,015,773	\$ 129,500	\$ 8,539,181	\$ 102,756
State's covered payroll	\$ 2,751,094	\$ 46,320	\$ 2,687,152	\$ 44,159	\$ 2,586,800	\$ 40,114	\$ 2,570,286	\$ 37,203
State's proportionate share of the net pension liability (assets) as a percentage of its covered payroll	637.55%	516.89%	375.09%	391.38%	348.53%	322.83%	332.23%	276.20%
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 as of each fiscal year ending June 30:

State & Judicial Division										
(Amounts in Thousands)										
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Contractually required contributions	\$ 524,478	\$ 492,159	\$ 453,406	\$ 449,912	\$ 368,468	\$ 276,326	\$ 256,682	\$ 291,892	\$ 277,229	\$ 239,851
Contributions in relation to the contractually required contributions	(524,478)	(492,159)	(453,406)	(449,912)	(368,468)	(276,326)	(256,682)	(291,892)	(277,229)	(239,851)
Contribution deficiency/excess	-	-	-	-	-	-	-	-	-	-
State's covered payroll	2,811,659	2,771,748	2,687,237	2,628,459	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	18.64%	17.76%	16.87%	15.98%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

State Division										
(Amounts in Thousands)										
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Contractually required contributions	\$ 516,932	\$ 484,588	\$ 446,528	\$ 413,694	\$ 362,791	\$ 272,068	\$ 252,727	\$ 287,394	\$ 272,957	\$ 236,155
Contributions in relation to the contractually required contributions	(516,932)	(484,588)	(446,528)	(413,694)	(362,791)	(272,068)	(252,727)	(287,394)	(272,957)	(236,155)
Contribution deficiency/excess	-	-	-	-	-	-	-	-	-	-
State's covered payroll	\$ 2,767,478	2,725,416	2,645,149	2,590,402	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	18.68%	17.78%	16.88%	15.97%	15.08%	10.77%	10.77%	10.59%	10.57%	10.58%

Judicial Division										
(Amounts in Thousands)										
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Contractually required contributions	\$ 7,546	\$ 7,571	\$ 6,878	\$ 6,218	\$ 5,677	\$ 4,258	\$ 3,955	\$ 4,498	\$ 4,272	\$ 3,696
Contributions in relation to the contractually required contributions	(7,546)	(7,571)	(6,878)	(6,218)	(5,677)	(4,258)	(3,955)	(4,498)	(4,272)	(3,696)
Contribution deficiency/excess	-	-	-	-	-	-	-	-	-	-
State's covered payroll	46,181	46,332	42,088	38,057	37,647	39,532	36,709	42,451	40,410	34,946
Contributions as a percentage of covered payroll	16.34%	16.34%	16.34%	16.34%	15.08%	10.77%	10.77%	10.60%	10.57%	10.58%

B. SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

Changes in assumptions are discussed in Note 6.

A-97

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
(Amounts expressed in thousands)**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll ¹ (c)	UAAAL as a Percentage of Covered Payroll ¹ ((b-a)/c)
University of Colorado:							
2016-17	7/1/2016	\$ -	\$ 625,035	\$ 625,035	0.0%	\$ 1,607,969	38.9%
2015-16	7/1/2015	\$ -	\$ 523,409	\$ 523,409	0.0%	\$ 1,468,220	35.6%
2014-15	7/1/2014	\$ -	\$ 523,409	\$ 523,409	0.0%	\$ 1,336,248	39.2%
Restated 2013-14	7/1/2012	\$ -	\$ 406,782	\$ 406,782	0.0%	\$ 1,253,260	32.5%
Colorado State University:							
RMPR							
2016-17	1/1/2017	\$ 45,363	\$ 34,491	\$ (10,872)	131.5%	\$ 344,325	-3.2%
2015-16	1/1/2016	\$ 40,739	\$ 39,843	\$ (896)	102.2%	\$ 325,055	-0.3%
2014-15	1/1/2015	\$ 35,021	\$ 34,014	\$ (1,007)	103.0%	\$ 305,603	-0.3%
RMPS							
2016-17	1/1/2017	\$ 23,552	\$ 44,708	\$ 21,156	52.7%	N/A	N/A
2015-16	1/1/2016	\$ 22,275	\$ 45,646	\$ 23,371	48.8%	N/A	N/A
2014-15	1/1/2015	\$ 18,368	\$ 50,077	\$ 31,709	36.7%	N/A	N/A
URX							
2016-17	1/1/2017	\$ 737	\$ 3,470	\$ 2,733	21.2%	N/A	N/A
2015-16	1/1/2016	\$ 594	\$ 2,286	\$ 1,692	26.0%	N/A	N/A
2014-15	1/1/2015	\$ 452	\$ 2,841	\$ 2,389	15.9%	N/A	N/A
LTD							
2016-17	1/1/2017	\$ 8,716	\$ 10,190	\$ 1,474	85.5%	N/A	N/A
2015-16	1/1/2016	\$ 7,926	\$ 12,071	\$ 4,145	65.7%	N/A	N/A
2014-15	1/1/2015	\$ 5,279	\$ 11,570	\$ 6,291	45.6%	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 System
Schedule of Changes in the OPEB Liability and Related Ratios
June 30, 2017
(Amounts expressed in thousands)**

	DCP Refund	PERA Subsidy	Rx Subsidy	LTD Income Replacement	Total
Total OPEB liability	N/A	N/A	N/A	N/A	-
Service cost	N/A	N/A	N/A	N/A	-
Interest	N/A	N/A	N/A	N/A	-
Plan amendments	N/A	N/A	N/A	N/A	-
Demographics losses (gains)	N/A	N/A	N/A	N/A	-
Assumption changes	N/A	N/A	N/A	N/A	-
Benefit payments	N/A	N/A	N/A	N/A	-
Net change in total OPEB liability	N/A	N/A	N/A	N/A	-
Total OPEB liability - beginning	N/A	N/A	N/A	N/A	-
Total OPEB liability - ending	\$ 35,623	45,038	3,449	10,783	94,893
Plan fiduciary net position					
Contributions-employer	N/A	N/A	N/A	N/A	-
Contributions-employee/member	N/A	N/A	N/A	N/A	-
Net investment income	N/A	N/A	N/A	N/A	-
Benefit payments	N/A	N/A	N/A	N/A	-
Administrative expense	N/A	N/A	N/A	N/A	-
Net change in plan fiduciary net position	N/A	N/A	N/A	N/A	-
Plan fiduciary net position - beginning	N/A	N/A	N/A	N/A	-
Plan fiduciary net position - ending	\$ 45,363	23,552	737	8,716	78,368
Net OPEB liability (asset) - ending	\$ (9,740)	21,486	2,712	2,067	16,525
Plan fiduciary net position as a percentage of the total OPEB liability	127.3%	52.3%	21.4%	80.8%	82.6%
Covered-employee payroll	\$ 350,046	13,657	13,657	385,441	N/A
Net OPEB liability as a percentage of covered-employee payroll	-2.8%	157.3%	19.9%	0.5%	N/A

Per the actuaries, because it is the year of implementation there was no data available except the Total OPEB Liability, resulting in the rest being noted as not applicable for the fiscal year ended June 30, 2017.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Colorado State University System
Schedule of OPEB Contributions: Retiree Medical Subsidy for DCP Participants
June 30, 2017
(Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,296
Actual contribution	<u>4,070</u>
Contribution deficiency (excess)	<u><u>(2,774)</u></u>
Covered-employee payroll	\$ 350,046
Contributions as a percentage of covered-employee payroll	1.16%
Actuarial Assumptions	
Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years
Notes to schedule	
Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Colorado State University System
Schedule of OPEB Contributions: Retiree Medical Subsidy for PERA Participants
June 30, 2017
(Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,981
Actual contribution	<u>1,981</u>
Contribution deficiency (excess)	<u><u>-</u></u>
Covered-employee payroll	\$ 13,657
Contributions as a percentage of covered-employee payroll	14.51%
Actuarial Assumptions	
Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years
Notes to schedule	
Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Colorado State University System
Schedule of OPEB Contributions: Retiree Umbrella Prescription Plan Participants
June 30, 2017
(Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 240
Actual contribution	<u>240</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 13,657
Contributions as a percentage of covered-employee payroll	1.76%
Actuarial Assumptions	
Investment rate of return	5.33%
Cost of living adjustments	N/A
Salary increase rate	N/A
Inflation rate	3.00%
Healthcare cost trend rate	7.00% grading down to 5.00% over 8 years
Notes to schedule	
Valuation date	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Remaining amortization period	21 years
Asset valuation method	Market value
Mortality	Separate mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backwards to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB) and annuitants (based on RP-2014 "Healthy Annuitants" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB).

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Colorado State University System
Schedule of OPEB Contributions: Self-Insured Long-Term Disability Income Replacement Plan
June 30, 2017
(Amounts expressed in thousands)

	<u>2017</u>
Actuarially determined contribution	\$ 1,373
Actual contribution	<u>1,478</u>
Contribution deficiency (excess)	<u>\$ (105)</u>
Covered-employee payroll	\$ 385,441
Contributions as a percentage of covered-employee payroll	0.38%
Actuarial Assumptions	
Investment rate of return	5.33%
Cost of living adjustments	3.00%
Salary increase rate	4.00%
Inflation rate	3.00%
Healthcare cost trend rate	N/A
Notes to schedule	
Valuation date	January 1, 2017
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years open, level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market value
Mortality	Healthy participant mortality is based on mortality rates for non-annuitants (based on RP-2014 "Employees" sex-distinct tables without collar adjustments, adjusted backward to 2006 using Scale MP-2014, adjusted forward to 2016 using Scale MP-2016, and projected generationally using Scale BB). Long-term disabled participant mortality is based on the 1987 Commissioner's Group Disability Table with a three month elimination period.

**Colorado State University System
Schedule of Investment Returns
June 30, 2017
(Amounts expressed in thousands)**

	<u>2017</u>
Annual money-weighted rate of return net of investment expense	3.4%

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS			TOTAL
		STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	
ASSETS:					
Cash and Pooled Cash	\$ 54,092	\$ 1,778	\$ 23,219	\$ 133,438	\$ 212,527
Taxes Receivable, net	1,509,492	-	-	-	1,509,492
Other Receivables, net	609,825	-	601	4,151	614,577
Due From Other Governments	465,052	2,382	-	8	467,442
Due From Other Funds	29,572	677	-	55,918	86,167
Due From Component Units	154	-	-	-	154
Inventories	8,503	-	-	-	8,503
Prepays, Advances and Deposits	39,294	-	166	-	39,460
Restricted Assets:					
Restricted Cash and Pooled Cash	4	3,948	-	439,710	443,662
Restricted Receivables	-	-	-	92	92
Investments	8,608	-	-	5,472	14,080
Other Long-Term Assets	(73)	-	-	782	709
TOTAL ASSETS	\$ 2,724,523	\$ 8,785	\$ 23,986	\$ 639,571	\$ 3,396,865
DEFERRED OUTFLOW OF RESOURCES:					
	-	-	-	677	677
LIABILITIES:					
Tax Refunds Payable	\$ 837,817	\$ -	\$ -	\$ -	\$ 837,817
Accounts Payable and Accrued Liabilities	745,190	162	1,410	10,542	757,304
TABOR Refund Liability (Note 2B)	21,807	-	-	-	21,807
Due To Other Governments	291,758	-	-	13,664	305,422
Due To Other Funds	49,402	-	-	686	50,088
Unearned Revenue	26,224	-	-	-	26,224
Claims and Judgments Payable	282	-	-	-	282
Other Current Liabilities	18,266	-	-	212	18,478
Deposits Held In Custody For Others	1	-	-	-	1
TOTAL LIABILITIES	1,990,747	162	1,410	25,104	2,017,423
DEFERRED INFLOW OF RESOURCES:					
	223,974	2,127	-	-	226,101
FUND BALANCES:					
Nonspendable:					
Inventories	8,503	-	-	-	8,503
Prepays	39,182	-	166	-	39,348
Restricted	-	-	-	442,249	442,249
Committed	444,899	6,496	22,410	172,895	646,700
Assigned	17,218	-	-	-	17,218
TOTAL FUND BALANCES	509,802	6,496	22,576	615,144	1,154,018
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
	\$ 2,724,523	\$ 8,785	\$ 23,986	\$ 640,248	\$ 3,397,542

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND COMPONENTS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS			TOTAL
		STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	
REVENUES:					
Taxes:					
Individual and Fiduciary Income	\$ 6,208,993	\$ -	\$ -	\$ -	\$ 6,208,993
Corporate Income	467,411	-	-	-	467,411
Sales and Use	3,085,580	-	-	-	3,085,580
Excise	102,784	-	-	-	102,784
Other Taxes	291,107	-	-	-	291,107
Licenses, Permits, and Fines	29,992	-	-	1,891	31,883
Charges for Goods and Services	16,837	-	56,915	275	74,027
Rents	255	-	-	7	262
Investment Income (Loss)	16,262	35	293	2,367	18,957
Federal Grants and Contracts	7,547,817	-	-	6,186	7,554,003
Other	223,534	601	47	17,968	242,150
TOTAL REVENUES	17,990,572	636	57,255	28,694	18,077,157
EXPENDITURES:					
Current:					
General Government	165,604	-	59,457	3,813	228,874
Business, Community, and Consumer Affairs	146,123	-	-	14,956	161,079
Education	779,459	5,235	-	3,805	788,499
Health and Rehabilitation	630,310	-	-	1,202	631,512
Justice	1,392,138	-	-	51	1,392,189
Natural Resources	37,242	-	-	2,652	39,894
Social Assistance	8,454,784	-	-	18,477	8,473,261
Capital Outlay	19,200	-	-	3,198	22,398
Intergovernmental:					
Cities	55,995	-	-	36,879	92,874
Counties	1,342,545	-	-	12,590	1,355,135
School Districts	692,576	3,552,070	-	160,641	4,405,287
Special Districts	50,496	-	-	17,864	68,360
Federal	271	-	-	-	271
Other	24,118	-	-	-	24,118
Debt Service	10,527	-	-	46,454	56,981
TOTAL EXPENDITURES	13,801,388	3,557,305	59,457	322,582	17,740,732
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,189,184	(3,556,669)	(2,202)	(293,888)	336,425
OTHER FINANCING SOURCES (USES):					
Transfers-In	138,700	3,662,475	-	369,941	4,171,116
Transfers-Out	(4,270,526)	(108,624)	(1,547)	(55,261)	(4,435,958)
Capital Lease Proceeds	891	-	-	-	891
Sale of Capital Assets	(5)	-	-	-	(5)
Insurance Recoveries	134	-	4,833	-	4,967
TOTAL OTHER FINANCING SOURCES (USES)	(4,130,806)	3,553,851	3,286	314,680	(258,989)
NET CHANGE IN FUND BALANCES	58,378	(2,818)	1,084	20,792	77,436
FUND BALANCE, FISCAL YEAR BEGINNING					
	451,424	9,314	21,492	594,352	1,076,582
FUND BALANCE, FISCAL YEAR END	\$ 509,802	\$ 6,496	\$ 22,576	\$ 615,144	\$ 1,154,018



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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	\$ 155,828	\$ 95,346	\$ 251,174
Other Receivables, net	1,112	28	1,140
Due From Other Governments	1,728	231	1,959
Due From Other Funds	10	-	10
Prepays, Advances and Deposits	3,431	-	3,431
Investments	1,120	2,724	3,844
Other Long-Term Assets	37	-	37
TOTAL ASSETS	\$ 163,266	\$ 98,329	\$ 261,595
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 11,169	\$ 93	\$ 11,262
Due To Other Funds	2,042	-	2,042
Other Current Liabilities	167	-	167
TOTAL LIABILITIES	13,378	93	13,471
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Prepays	3,431	-	3,431
Restricted	-	5	5
Committed	146,457	98,231	244,688
TOTAL FUND BALANCES	149,888	98,236	248,124
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 163,266	\$ 98,329	\$ 261,595

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND COMPONENTS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Taxes:			
Other Taxes	\$ 1,632	\$ -	\$ 1,632
Licenses, Permits, and Fines	5	-	5
Investment Income (Loss)	332	33	365
Federal Grants and Contracts	4,538	6,458	10,996
Other	14	-	14
TOTAL REVENUES	6,521	6,491	13,012
EXPENDITURES:			
Current:			
General Government	24,309	-	24,309
Business, Community, and Consumer Affairs	1,641	-	1,641
Education	1,181	149	1,330
Health and Rehabilitation	370	-	370
Justice	5,058	311	5,369
Natural Resources	-	85	85
Social Assistance	3,952	150	4,102
Capital Outlay	61,793	4,581	66,374
Debt Service	1,818	-	1,818
TOTAL EXPENDITURES	100,122	5,276	105,398
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,601)	1,215	(92,386)
OTHER FINANCING SOURCES (USES):			
Transfers-In	84,891	14,197	99,088
Transfers-Out	(139,208)	(6,686)	(145,894)
Insurance Recoveries	215	907	1,122
TOTAL OTHER FINANCING SOURCES (USES)	(54,102)	8,418	(45,684)
NET CHANGE IN FUND BALANCES	(147,703)	9,633	(138,070)
FUND BALANCE, FISCAL YEAR BEGINNING	297,591	88,603	386,194
FUND BALANCE, FISCAL YEAR END	\$ 149,888	\$ 98,236	\$ 248,124



OTHER GOVERNMENTAL FUNDS

The following statements present the combining balance sheet for Other Governmental Funds comprising Special Revenue, Debt Service, and Permanent funds.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
ASSETS:				
Cash and Pooled Cash	\$ 1,220,272	\$ -	\$ -	\$ 1,220,272
Taxes Receivable, net	33,487	-	-	33,487
Other Receivables, net	68,266	-	7,827	76,093
Due From Other Governments	44,056	341	-	44,397
Due From Other Funds	7,689	-	-	7,689
Inventories	331	-	-	331
Prepays, Advances and Deposits	6,787	-	-	6,787
Restricted Assets:				
Restricted Cash and Pooled Cash	79,509	218	246,623	326,350
Restricted Investments	11,756	-	765,694	777,450
Investments	157,738	79,407	-	237,145
Other Long-Term Assets	15,145	-	10,593	25,738
Capital Assets Held as Investments	81	-	112,209	112,290
TOTAL ASSETS	\$ 1,645,117	\$ 79,966	\$ 1,142,946	\$ 2,868,029
LIABILITIES:				
Tax Refunds Payable	\$ 269	\$ -	\$ -	\$ 269
Accounts Payable and Accrued Liabilities	111,154	-	3,131	114,285
Due To Other Governments	22,149	-	12	22,161
Due To Other Funds	34,877	-	182	35,059
Unearned Revenue	48,254	-	5,304	53,558
Claims and Judgments Payable	89	-	-	89
Other Current Liabilities	3,056	-	1,590	4,646
Deposits Held In Custody For Others	115	-	-	115
TOTAL LIABILITIES	219,963	-	10,219	230,182
DEFERRED INFLOW OF RESOURCES:	906	-	294	1,200
FUND BALANCES:				
Reserved for:				
Nonspendable:				
Inventories	331	-	-	331
Permanent Fund Principal	-	-	1,122,480	1,122,480
Prepays	6,787	-	-	6,787
Restricted	157,684	79,966	-	237,650
Committed	1,259,446	-	9,953	1,269,399
TOTAL FUND BALANCES	1,424,248	79,966	1,132,433	2,636,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,645,117	\$ 79,966	\$ 1,142,946	\$ 2,868,029

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Sales and Use	\$ 64,306	\$ -	\$ -	\$ 64,306
Excise	217,326	-	-	217,326
Other Taxes	161,570	-	-	161,570
Licenses, Permits, and Fines	409,910	-	-	409,910
Charges for Goods and Services	786,931	-	107	787,038
Rents	4,729	-	124,284	129,013
Investment Income (Loss)	4,806	806	3,073	8,685
Federal Grants and Contracts	166,956	-	(21)	166,935
Additions to Permanent Funds	-	-	766	766
Unclaimed Property Receipts	63,663	-	-	63,663
Other	24,963	-	60	25,023
TOTAL REVENUES	1,905,160	806	128,269	2,034,235
EXPENDITURES:				
Current:				
General Government	27,144	-	136	27,280
Business, Community, and Consumer Affairs	282,157	-	-	282,157
Education	32,075	-	-	32,075
Health and Rehabilitation	125,461	-	-	125,461
Justice	179,025	-	-	179,025
Natural Resources	2,032	-	12,390	14,422
Social Assistance	880,779	-	-	880,779
Transportation	2,815	-	-	2,815
Capital Outlay	10,918	-	2,384	13,302
Intergovernmental:				
Cities	70,099	-	-	70,099
Counties	100,759	-	32	100,791
School Districts	43,177	-	-	43,177
Special Districts	12,160	-	-	12,160
Federal	149	-	-	149
Other	51,378	-	-	51,378
Debt Service	1,538	178,357	-	179,895
TOTAL EXPENDITURES	1,821,666	178,357	14,942	2,014,965
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	83,494	(177,551)	113,327	19,270
OTHER FINANCING SOURCES (USES):				
Transfers-In	192,494	189,412	31,558	413,464
Transfers-Out	(225,177)	-	(80,647)	(305,824)
Sale of Capital Assets	-	-	15,086	15,086
Insurance Recoveries	2	-	-	2
TOTAL OTHER FINANCING SOURCES (USES)	(32,681)	189,412	(34,003)	122,728
NET CHANGE IN FUND BALANCES	50,813	11,861	79,324	141,998
FUND BALANCE, FISCAL YEAR BEGINNING	1,378,634	68,105	1,053,109	2,499,848
Prior Period Adjustment (See Note 15A)	(5,199)	-	-	(5,199)
FUND BALANCE, FISCAL YEAR END	\$ 1,424,248	\$ 79,966	\$ 1,132,433	\$ 2,636,647

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 325 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 261 for a detail listing of these funds that have net position/fund balance in excess of \$200,000.)



A-108

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)			
	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:			
Cash and Pooled Cash	\$ 105,282	\$ 126,390	\$ 136,028
Taxes Receivable, net	11,830	12,291	10,915
Other Receivables, net	2,793	105	40,172
Due From Other Governments	49	141	848
Due From Other Funds	-	-	-
Inventories	-	-	-
Prepays, Advances and Deposits	108	34	4
Restricted Assets:			
Restricted Cash and Pooled Cash	66,645	12,864	-
Restricted Investments	11,756	-	-
Investments	501	-	-
Other Long-Term Assets	-	5,395	-
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	\$ 198,964	\$ 157,220	\$ 187,967
LIABILITIES:			
Tax Refunds Payable	\$ -	\$ -	\$ 40
Accounts Payable and Accrued Liabilities	9,024	5,521	25,358
Due To Other Governments	-	20,094	191
Due To Other Funds	53	22,759	4,349
Unearned Revenue	-	694	-
Claims and Judgments Payable	77	-	-
Other Current Liabilities	454	-	-
Deposits Held In Custody For Others	-	6	-
TOTAL LIABILITIES	9,608	49,074	29,938
DEFERRED INFLOW OF RESOURCES:	-	-	126
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Inventories	-	-	-
Prepays	108	34	4
Restricted	78,401	18,583	23,132
Committed	110,847	89,529	134,767
TOTAL FUND BALANCES	189,356	108,146	157,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 198,964	\$ 157,220	\$ 187,967

	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$	13,159	\$ 128,149	\$ 123,567	\$ 587,697	\$ 1,220,272
-	-	-	-	(1,549)	33,487
2	12,050	1,204	11,940	68,266	
-	34,071	-	8,947	44,056	
-	1	1	7,687	7,689	
-	331	-	-	331	
-	81	17	6,543	6,787	
-	-	-	-	79,509	
-	-	-	-	11,756	
-	-	-	157,237	157,738	
-	-	-	-	9,750	15,145
-	-	-	-	81	81
\$ 13,161	\$ 174,683	\$ 282,026	\$ 631,096	\$ 1,645,117	
\$	-	\$ -	\$ -	\$ 229	\$ 269
1,872	24,754	285	44,340	111,154	
382	-	-	1,482	22,149	
15	5,192	-	2,509	34,877	
-	10,895	-	36,665	48,254	
-	-	-	12	89	
-	43	-	2,559	3,056	
-	-	-	109	115	
2,269	40,884	285	87,905	219,963	
-	-	-	780	906	
-	-	-	-	331	
-	81	17	6,543	6,787	
6,666	5,880	-	25,022	157,684	
4,226	127,507	281,724	510,846	1,259,446	
10,892	133,799	281,741	542,411	1,424,248	
\$ 13,161	\$ 174,683	\$ 282,026	\$ 631,096	\$ 1,645,117	

A-109

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:			
Sales and Use	\$ -	\$ -	\$ -
Excise	-	-	142,904
Other Taxes	41,626	117,401	-
Licenses, Permits, and Fines	387	813	87,227
Charges for Goods and Services	326	345	1,273
Rents	-	-	-
Investment Income (Loss)	579	741	363
Federal Grants and Contracts	726	-	521
Unclaimed Property Receipts	-	-	-
Other	(2,436)	2,891	925
TOTAL REVENUES	41,208	122,191	233,213
EXPENDITURES:			
Current:			
General Government	1,430	-	63
Business, Community, and Consumer Affairs	46,972	36,082	-
Education	-	15,177	822
Health and Rehabilitation	-	155	30,173
Justice	7,034	-	1,118
Natural Resources	-	-	-
Social Assistance	33	-	136,552
Transportation	-	-	-
Capital Outlay	111	10	180
Intergovernmental:			
Cities	7,710	17,817	1,354
Counties	9,876	16,779	23,010
School Districts	65	497	32,786
Special Districts	216	547	1,957
Federal	-	-	-
Other	3	1,234	10,142
Debt Service	-	-	-
TOTAL EXPENDITURES	73,450	88,298	238,157
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,242)	33,893	(4,944)
OTHER FINANCING SOURCES (USES):			
Transfers-In	20,474	(3,059)	34,312
Transfers-Out	(618)	(43,236)	(28,542)
Insurance Recoveries	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	19,856	(46,295)	5,770
NET CHANGE IN FUND BALANCES	(12,386)	(12,402)	826
FUND BALANCE, FISCAL YEAR BEGINNING	201,742	120,548	157,077
Prior Period Adjustment (See Note 15A)	-	-	-
FUND BALANCE, FISCAL YEAR END	\$ 189,356	\$ 108,146	\$ 157,903

RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ 64,306	\$ 64,306
-	-	-	74,422	217,326
-	-	-	2,543	161,570
69	46,122	-	275,292	409,910
1,637	725,614	1	57,735	786,931
-	-	-	4,729	4,729
58	1,151	(677)	2,591	4,806
-	38,715	-	126,994	166,956
-	-	63,663	-	63,663
633	7,179	7	15,764	24,963
2,397	818,781	62,994	624,376	1,905,160
-	28	3,156	22,467	27,144
90	1,501	650	196,862	282,157
-	-	-	16,076	32,075
-	63,434	-	31,699	125,461
-	31,591	-	139,282	179,025
2,032	-	-	-	2,032
-	706,338	-	37,856	880,779
-	181	-	2,634	2,815
94	1,227	525	8,771	10,918
299	6,122	-	36,797	70,099
2,410	7,995	-	40,689	100,759
-	20	-	9,809	43,177
967	4,097	-	4,376	12,160
-	87	-	62	149
-	2,816	-	37,183	51,378
-	-	71	1,467	1,538
5,892	825,437	4,402	586,030	1,821,666
(3,495)	(6,656)	58,592	38,346	83,494
1,000	7,180	25	132,562	192,494
(51)	(12,057)	(207)	(140,466)	(225,177)
-	-	-	2	2
949	(4,877)	(182)	(7,902)	(32,681)
(2,546)	(11,533)	58,410	30,444	50,813
13,438	150,531	223,331	511,967	1,378,634
-	(5,199)	-	-	(5,199)
\$ 10,892	\$ 133,799	\$ 281,741	\$ 542,411	\$ 1,424,248

A-110



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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	\$ 7,827	\$ -	\$ 7,827
Restricted Assets:			
Restricted Cash and Pooled Cash	236,670	9,953	246,623
Restricted Investments	765,694	-	765,694
Other Long-Term Assets	10,593	-	10,593
Capital Assets Held as Investments	112,209	-	112,209
TOTAL ASSETS	\$ 1,132,993	\$ 9,953	\$ 1,142,946
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 3,131	\$ -	\$ 3,131
Due To Other Governments	12	-	12
Due To Other Funds	182	-	182
Unearned Revenue	5,304	-	5,304
Other Current Liabilities	1,590	-	1,590
TOTAL LIABILITIES	10,219	-	10,219
DEFERRED INFLOW OF RESOURCES:	294	-	294
FUND BALANCES:			
Reserved for:			
Nonspendable:			
Permanent Fund Principal	1,122,480	-	1,122,480
Committed	-	9,953	9,953
TOTAL FUND BALANCES	1,122,480	9,953	1,132,433
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,132,993	\$ 9,953	\$ 1,142,946

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	\$ 107	\$ -	\$ 107
Rents	123,689	595	124,284
Investment Income (Loss)	3,039	34	3,073
Federal Grants and Contracts	-	(21)	(21)
Additions to Permanent Funds	766	-	766
Other	21	39	60
TOTAL REVENUES	127,622	647	128,269
EXPENDITURES:			
Current:			
General Government	136	-	136
Natural Resources	12,390	-	12,390
Capital Outlay	2,384	-	2,384
Intergovernmental:			
Counties	32	-	32
TOTAL EXPENDITURES	14,942	-	14,942
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,680	647	113,327
OTHER FINANCING SOURCES (USES):			
Transfers-In	31,558	-	31,558
Transfers-Out	(80,647)	-	(80,647)
Sale of Capital Assets	15,086	-	15,086
TOTAL OTHER FINANCING SOURCES (USES)	(34,003)	-	(34,003)
NET CHANGE IN FUND BALANCES	78,677	647	79,324
FUND BALANCE, FISCAL YEAR BEGINNING	1,043,803	9,306	1,053,109
FUND BALANCE, FISCAL YEAR END	\$ 1,122,480	\$ 9,953	\$ 1,132,433

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.



A-113

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 108,083	\$ 103,283	\$ (321)	\$ 2,823
Investments	-	-	-	-
Student and Other Receivables, net	8,934	104	50	1,552
Due From Other Governments	8,240	1,158	-	748
Due From Other Funds	3,274	-	-	767
Inventories	855	-	-	17,015
Prepays, Advances and Deposits	5,896	30	63	-
Total Current Assets	135,282	104,575	(208)	22,905
Noncurrent Assets:				
Restricted Cash and Pooled Cash	39,961	49,883	-	-
Restricted Receivables	-	38,605	-	-
Investments	-	-	-	-
Other Long-Term Assets	-	-	-	1,986
Depreciable Capital Assets and Infrastructure, net	170,350	156	12,125	3,586
Land and Nondepreciable Capital Assets	373,469	-	1,349	945
Total Noncurrent Assets	583,780	88,644	13,474	6,517
TOTAL ASSETS	719,062	193,219	13,266	29,422
DEFERRED OUTFLOW OF RESOURCES:	126,233	1,435	3,389	17,779
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	19,016	63	277	5,889
Due To Other Governments	-	46,333	-	-
Due To Other Funds	864	-	-	-
Unearned Revenue	46,331	-	355	448
Compensated Absences Payable	1,153	-	12	89
Leases Payable	-	-	92	-
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	21	3,305	10	-
Total Current Liabilities	67,385	49,701	746	6,426
Noncurrent Liabilities:				
Due to Other Funds	16,415	-	-	-
Deposits Held In Custody For Others	20	-	-	-
Accrued Compensated Absences	6,981	118	85	1,205
Capital Lease Payable	-	-	971	-
Notes, Bonds, and COPs Payable	-	-	-	-
Net Pension Liability	400,953	4,593	11,007	56,935
Total Noncurrent Liabilities	424,369	4,711	12,063	58,140
TOTAL LIABILITIES	491,754	54,412	12,809	64,566
DEFERRED INFLOW OF RESOURCES:	7,061	1,269	594	551
NET POSITION:				
Net investment in Capital Assets:	543,819	156	12,412	4,531
Restricted for:				
Debt Service	-	-	-	-
Emergencies	34,000	-	-	-
Other Purposes	65,961	-	-	-
Unrestricted	(297,300)	138,817	(9,160)	(22,447)
TOTAL NET POSITION	\$ 346,480	\$ 138,973	\$ 3,252	\$ (17,916)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ 19,953	\$ 7,187	\$ 1,535	\$ 412,016	\$ 47,405	\$ 701,964
551	-	-	-	152	703
3,314	9	3,317	10,183	727	28,190
3,143	-	-	2,430	485	16,204
35	-	-	844	48	4,968
174	754	-	-	210	19,008
68	-	-	3	303	6,363
27,238	7,950	4,852	425,476	49,330	777,400
-	-	-	1,638	98	91,580
-	-	-	-	-	38,605
-	-	-	18,269	14,066	32,335
-	-	-	-	-	1,986
31,556	1,458	13	878,290	11,362	1,108,896
5,304	-	-	277,958	3,957	662,982
36,860	1,458	13	1,176,155	29,483	1,936,384
64,098	9,408	4,865	1,601,631	78,813	2,713,784
50,023	2,893	4,568	7,233	13,634	227,187
4,046	787	2,039	20,840	1,887	54,844
390	-	-	-	-	46,723
-	-	-	1	8,246	9,111
48	-	-	-	6,398	53,580
201	-	11	-	53	1,519
383	-	-	-	-	475
535	-	-	-	505	1,040
88	-	12	-	6	3,442
5,691	787	2,062	20,841	17,095	170,734
-	-	-	4,955	-	21,370
-	-	-	-	-	20
1,907	246	633	38	1,019	12,232
2,366	-	-	-	-	3,337
(5)	-	-	525,155	2,298	527,448
155,232	9,228	14,117	22,887	39,569	714,521
159,500	9,474	14,750	553,035	42,886	1,278,928
165,191	10,261	16,812	573,876	59,981	1,449,662
2,861	1,158	441	140,353	917	155,205
33,576	1,458	13	839,433	12,516	1,447,914
-	-	-	18,269	-	18,269
-	-	-	-	-	34,000
-	-	-	-	-	65,961
(87,507)	(576)	(7,833)	36,933	19,033	(230,040)
\$ (53,931)	\$ 882	\$ (7,820)	\$ 894,635	\$ 31,549	\$ 1,336,104

A-114

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
OPERATING REVENUES:				
License and Permits	\$ 116,583	\$ -	\$ -	\$ -
Tuition and Fees	-	-	-	-
Sales of Goods and Services	4,456	-	6,603	43,391
Investment Income (Loss)	-	5,367	-	-
Rental Income	-	-	699	-
Federal Grants and Contracts	31,507	343,434	-	4,789
Intergovernmental Revenue	25,406	-	-	-
Other	3,947	-	-	239
TOTAL OPERATING REVENUES	181,899	348,801	7,302	48,419
OPERATING EXPENSES:				
Salaries and Fringe Benefits	159,179	38,124	5,785	23,516
Operating and Travel	76,775	264,069	4,039	13,541
Cost of Goods Sold	493	-	-	17,966
Depreciation and Amortization	11,857	150	778	446
Intergovernmental Distributions	7,745	-	-	1
Debt Service	-	13,024	-	-
Prizes and Awards	10	-	1,012	-
TOTAL OPERATING EXPENSES	256,059	315,367	11,614	55,470
OPERATING INCOME (LOSS)	(74,160)	33,434	(4,312)	(7,051)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	426	-	-	-
Investment Income (Loss)	488	-	1,714	113
Rental Income	13,817	-	-	(766)
Gifts and Donations	981	-	300	2
Gain/(Loss) on Sale or Impairment of Capital Assets	670	-	1	-
Insurance Recoveries from Prior Year Impairments	2,871	-	-	-
Debt Service	(62)	-	(46)	(4)
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	19,191	-	1,969	(655)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(54,969)	33,434	(2,343)	(7,706)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	170	-	902	-
Transfers-In	16,066	-	1,300	-
Transfers-Out	(4,318)	(79)	(112)	(942)
TOTAL CONTRIBUTIONS AND TRANSFERS	11,918	(79)	2,090	(942)
CHANGE IN NET POSITION	(43,051)	33,355	(253)	(8,648)
NET POSITION - FISCAL YEAR BEGINNING	389,531	105,618	3,505	(9,268)
Prior Period Adjustments (See Note 15A)	-	-	-	-
NET POSITION - FISCAL YEAR ENDING	\$ 346,480	\$ 138,973	\$ 3,252	\$ (17,916)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
OPERATING REVENUES:					
\$ -	\$ -	\$ 456	\$ -	\$ 9,545	126,584
-	-	-	-	1,673	1,673
26,530	18,998	16	119,910	4,168	224,072
-	-	-	-	67	5,434
-	-	-	-	1,976	2,675
30,065	-	-	16,952	938	427,685
245	-	-	1,097	-	26,748
142	839	-	3,769	281	9,217
56,982	19,837	472	141,728	18,648	824,088
OPERATING EXPENSES:					
64,090	2,943	14,433	11,862	15,768	335,700
9,397	2,856	25,859	2,959	9,331	408,826
-	13,225	-	-	75	31,759
2,014	106	4	16,017	914	32,286
5,037	-	-	-	-	12,783
-	-	-	-	-	13,024
-	4	-	-	2	1,028
80,538	19,134	40,296	30,838	26,090	835,406
OPERATING INCOME (LOSS)	(23,556)	703	(39,824)	(7,442)	(11,318)
NONOPERATING REVENUES AND (EXPENSES):					
-	-	38,423	-	-	38,423
-	-	-	209	13	648
56	49	25	1,185	23	3,653
1	-	-	-	-	13,052
3	-	-	-	161	1,447
(16)	-	-	59,735	(4)	60,386
-	-	-	-	-	2,871
(129)	-	(5)	(9,807)	(252)	(10,305)
(3)	-	-	(4,741)	-	(4,744)
(88)	49	38,443	46,581	(59)	105,431
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(23,644)	752	(1,381)	(7,501)	94,113
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
-	-	-	-	-	1,072
281	-	-	-	384	18,031
(1,977)	(79)	(10)	-	(459)	(7,976)
(1,696)	(79)	(10)	-	(75)	11,127
CHANGE IN NET POSITION	(25,340)	673	(1,391)	(7,576)	105,240
NET POSITION - FISCAL YEAR BEGINNING	(28,591)	209	(6,429)	38,580	1,230,319
-	-	-	-	545	545
\$ (53,931)	\$ 882	\$ (7,820)	\$ 894,635	\$ 31,549	\$ 1,336,104

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	\$ -	\$ -	\$ -	\$ -
Fees for Service	129,746	139	4,716	615
Receipts for Interfund Services	-	-	-	6,280
Sales of Products	2,768	-	83	36,790
Gifts, Grants, and Contracts	32,278	353,426	-	4,582
Income from Property	13,817	-	699	298
Other Sources	29,809	-	1,971	239
Cash Payments to or for:				
Employees	(92,781)	(38,496)	(4,277)	(13,474)
Suppliers	(47,556)	(8,679)	(2,887)	(35,826)
Payments for Interfund Services	(2,236)	(40)	(1,047)	(170)
Sales Commissions and Lottery Prizes	(7,414)	-	-	-
Other Governments	(7,745)	-	-	(1)
Other	(9,921)	(268,140)	(1,081)	(282)
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,765	38,210	(1,823)	(949)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	38,547	97	2,202	-
Transfers-Out	(25,260)	(177)	(112)	(942)
Receipt of Deposits Held in Custody	700	-	-	-
Release of Deposits Held in Custody	(696)	-	-	-
Gifts and Grants for Other Than Capital Purposes	981	-	-	2
NonCapital Debt Proceeds	-	-	-	-
NonCapital Debt Service Payments	-	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	14,272	(80)	2,090	(940)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(59,378)	(1,911)	(3,255)	(319)
Proceeds from Sale of Capital Assets	34,833	1,904	2,254	137
Capital Debt Proceeds	-	-	-	-
Capital Debt Service Payments	(2)	-	(5)	(4)
Capital Lease Payments	(3)	-	(133)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(24,550)	(7)	(1,139)	(186)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
\$ -	\$ -	\$ -	\$ -	\$ 1,594	\$ 1,594
20,048	-	408	122,025	1,377	279,074
-	-	363	856	1,503	9,002
5,246	18,989	-	-	866	64,742
32,436	-	-	22,325	1,196	446,243
1	-	-	-	2,005	16,820
84	839	38,879	752	16,108	88,681
(38,065)	(2,108)	(12,716)	(8,423)	(8,462)	(218,802)
(9,084)	(15,818)	(3,132)	(37,742)	(7,662)	(168,386)
(218)	(70)	(127)	(756)	(461)	(5,125)
-	-	-	-	-	(7,414)
(5,396)	-	-	-	-	(13,142)
(140)	(6)	(24,538)	-	(399)	(304,507)
-4,912	1,826	(863)	99,037	7,665	188,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
2,542	-	-	27	252	43,667
(4,238)	(79)	(10)	(27)	(327)	(31,172)
136	-	5	-	213	1,054
(136)	-	(8)	-	(213)	(1,053)
3	-	-	-	161	1,147
724	-	-	2,277	131	3,132
(1,270)	-	-	(2,277)	(131)	(3,678)
(2,239)	(79)	(13)	-	86	13,097
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
(4,556)	-	-	(248,043)	(4,157)	(321,619)
4,440	-	-	144,125	3,110	190,803
41	-	-	171,784	17	171,842
(41)	-	(5)	(9,414)	(682)	(10,153)
(470)	-	-	-	-	(606)
(586)	-	(5)	58,452	(1,712)	30,267

(Continued)

A-116

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(Continued)

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY	CORRECTIONAL INDUSTRIES
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,445	6,250	1,714	148
Proceeds from Sale/Maturity of Investments	-	-	-	-
Purchases of Investments	-	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(958)	(883)	-	(36)
NET CASH FROM INVESTING ACTIVITIES	487	5,367	1,714	112
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	30,974	43,490	842	(1,963)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	117,070	109,676	(1,163)	4,786
Prior Period Adjustment/Accounting Change (See Note 15A and 15B)	-	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	\$ 148,044	\$ 153,166	\$ (321)	\$ 2,823
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (74,161)	\$ 33,435	\$ (4,312)	\$ (7,051)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	11,857	150	778	446
Investment/Rental Income and Other Revenue in Operating Income	-	(5,367)	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	17,271	-	300	(766)
(Gain)/Loss on Disposal of Capital and Other Assets	-	-	-	-
Compensated Absences and Accrued Pension Expense	66,310	(390)	1,517	9,986
Interest and Other Expense in Operating Income	4,619	-	(67)	154
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	9,531	1,644	(18)	820
(Increase) Decrease in Inventories	93	-	-	(4,027)
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(82)	(16)	24	(154)
Increase (Decrease) in Accounts Payable	4,624	(2,274)	1,060	(689)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	703	11,028	(1,105)	332
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 40,765	\$ 38,210	\$ (1,823)	\$ (949)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	-	-	902	-
Capital Assets Acquired by Grants or Donations and Payable Increases	170	-	-	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	-	-	-	-
Loss on Disposal of Capital and Other Assets	512	-	1	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	-	-

STATE NURSING HOMES	PRISON CDTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
181	92	48	2,973	684	13,535
12	-	-	15,292	994	16,298
-	-	-	(18,262)	(385)	(18,647)
(125)	(43)	(23)	(1,796)	(615)	(4,479)
68	49	25	(1,793)	678	6,707
2,155	1,796	(856)	155,696	6,717	238,851
17,798	5,391	2,391	257,958	40,241	554,148
-	-	-	-	545	545
\$ 19,953	\$ 7,187	\$ 1,535	\$ 413,654	\$ 47,503	\$ 793,544
\$ (23,556)	\$ 703	\$ (39,824)	\$ 110,890	\$ (7,442)	\$ (11,318)
2,014	106	4	16,017	914	32,286
-	-	-	-	(67)	(5,434)
(1)	-	38,423	209	13	55,449
(7)	-	-	-	(8)	(15)
25,913	812	1,857	3,444	7,592	117,041
5	-	1	(43,406)	374	(38,320)
1,085	(8)	1,118	7,272	81	21,525
20	(36)	-	-	(57)	(4,007)
(2)	-	-	10	(79)	(299)
(379)	249	(2,442)	7,742	(8,177)	(286)
(180)	-	-	(3,141)	14,521	22,158
\$ 4,912	\$ 1,826	\$ (863)	\$ 99,037	\$ 7,665	\$ 188,780
-	-	-	-	-	902
-	-	-	-	-	170
-	-	-	-	110	110
-	-	-	59,735	4	60,252
19	-	-	2,834	74	2,927

A-117

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.



COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 9,222	\$ 2,021	\$ 11,351	\$ 3,271
Other Receivables, net	586	-	196	8
Due From Other Governments	-	-	55	-
Due From Other Funds	23	-	1,781	-
Inventories	482	-	-	159
Prepays, Advances and Deposits	16	21	4,690	-
Total Current Assets	10,329	2,042	18,073	3,438
Noncurrent Assets:				
Depreciable Capital Assets and Infrastructure, net	74,452	30,517	16,595	14,800
Land and Nondepreciable Capital Assets	-	174	731	-
Total Noncurrent Assets	74,452	30,691	17,326	14,800
TOTAL ASSETS	84,781	32,733	35,399	18,238
DEFERRED OUTFLOW OF RESOURCES:	12,727	5,441	133,521	5,942
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,479	398	15,870	1,208
Due To Other Funds	-	-	-	-
Unearned Revenue	-	-	5,695	104
Compensated Absences Payable	54	-	221	18
Leases Payable	16,532	3,676	-	1,249
Other Current Liabilities	54	-	-	-
Total Current Liabilities	19,119	4,074	21,786	2,579
Noncurrent Liabilities:				
Accrued Compensated Absences	543	83	6,858	272
Capital Lease Payable	54,324	14,949	-	12,161
Capital Lease Payable To Component Units	-	-	-	-
Net Pension Liability	37,603	9,773	421,952	17,475
Total Noncurrent Liabilities	92,470	24,805	428,810	29,908
TOTAL LIABILITIES	111,589	28,879	450,596	32,487
DEFERRED INFLOW OF RESOURCES:	1,278	50	1,402	917
NET POSITION:				
Net investment in Capital Assets:	3,596	12,066	17,325	1,389
Unrestricted	(18,955)	(2,821)	(300,403)	(10,613)
TOTAL NET POSITION	\$ (15,359)	\$ 9,245	\$ (283,078)	\$ (9,224)

	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
ASSETS:						
Current Assets:						
Cash and Pooled Cash	\$ 2,057	\$ 677	\$ 1,223	\$ 6,397	\$ 1,933	\$ 38,152
Other Receivables, net	4	1	18	76	23	912
Due From Other Governments	-	-	-	-	-	55
Due From Other Funds	-	-	-	-	-	1,804
Inventories	229	-	-	-	-	870
Prepays, Advances and Deposits	-	-	2	172	-	4,901
Total Current Assets	2,290	678	1,243	6,645	1,956	46,694
Noncurrent Assets:						
Depreciable Capital Assets and Infrastructure, net	160	164	-	896	-	137,584
Land and Nondepreciable Capital Assets	-	-	-	5	-	910
Total Noncurrent Assets	160	164	-	901	-	138,494
TOTAL ASSETS	2,450	842	1,243	7,546	1,956	185,188
DEFERRED OUTFLOW OF RESOURCES:	1,346	(105)	6,849	43,820	2,131	211,672
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	1	28	358	2,881	1,253	24,476
Due To Other Funds	2,525	-	-	15	-	2,540
Unearned Revenue	-	-	-	-	41	5,840
Compensated Absences Payable	-	-	-	195	-	488
Leases Payable	-	-	-	-	-	21,457
Other Current Liabilities	-	-	-	-	-	54
Total Current Liabilities	2,526	28	358	3,091	1,294	54,855
Noncurrent Liabilities:						
Accrued Compensated Absences	-	-	320	1,528	35	9,639
Capital Lease Payable	-	-	-	-	-	81,434
Capital Lease Payable To Component Units	-	-	-	-	-	-
Net Pension Liability	4,321	(355)	20,446	128,822	6,154	646,191
Total Noncurrent Liabilities	4,321	(355)	20,766	130,350	6,189	737,264
TOTAL LIABILITIES	6,847	(327)	21,124	133,441	7,483	792,119
DEFERRED INFLOW OF RESOURCES:	260	267	885	647	149	5,855
NET POSITION:						
Net investment in Capital Assets:	160	164	-	901	-	35,601
Unrestricted	(3,471)	633	(13,917)	(83,623)	(3,545)	(436,715)
TOTAL NET POSITION	\$ (3,311)	\$ 797	\$ (13,917)	\$ (82,722)	\$ (3,545)	\$ (401,114)

A-119

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
OPERATING REVENUES:				
Sales of Goods and Services	\$ 59,187	\$ 10,508	\$ 236,655	\$ 36
Rental Income	-	-	-	15,353
Other	667	-	-	8
TOTAL OPERATING REVENUES	59,854	10,508	236,655	15,397
OPERATING EXPENSES:				
Salaries and Fringe Benefits	15,495	5,531	229,437	6,661
Operating and Travel	35,508	5,362	88,794	7,039
Depreciation and Amortization	18,640	4,491	2,944	2,337
Intergovernmental Distributions	-	-	-	1
Prizes and Awards	-	-	1	2
TOTAL OPERATING EXPENSES	69,643	15,384	321,176	16,040
OPERATING INCOME (LOSS)	(9,789)	(4,876)	(84,521)	(643)
NONOPERATING REVENUES AND (EXPENSES):				
Fines and Settlements	3	-	-	-
Investment Income (Loss)	-	(1)	(165)	-
Gain/(Loss) on Sale or Impairment of Capital Assets	3,935	-	6,503	33
Insurance Recoveries from Prior Year Impairments	315	-	-	-
Debt Service	(1,356)	(267)	-	(678)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,897	(268)	6,338	(645)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(6,892)	(5,144)	(78,183)	(1,288)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	2,093	-	-	-
Transfers-In	305	3,517	2,330	31
Transfers-Out	(368)	-	(388)	(1,024)
TOTAL CONTRIBUTIONS AND TRANSFERS	2,030	3,517	1,942	(993)
CHANGE IN NET POSITION	(4,862)	(1,627)	(76,241)	(2,281)
NET POSITION - FISCAL YEAR BEGINNING	(10,497)	10,872	(206,837)	(6,943)
NET POSITION - FISCAL YEAR ENDING	\$ (15,359)	\$ 9,245	\$ (283,078)	\$ (9,224)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
OPERATING REVENUES:	\$ 1,862	\$ 211	\$ 5,376	\$ 36,656	\$ 4,400	\$ 354,891
Sales of Goods and Services	-	-	-	-	-	15,353
Rental Income	-	-	-	161	-	836
Other	-	-	-	-	-	-
TOTAL OPERATING REVENUES	1,862	211	5,376	36,817	4,400	371,080
OPERATING EXPENSES:						
Salaries and Fringe Benefits	1,497	(255)	7,374	63,089	2,274	331,103
Operating and Travel	1,001	82	1,106	3,287	3,154	145,333
Depreciation and Amortization	54	234	-	164	-	28,864
Intergovernmental Distributions	-	-	-	-	-	1
Prizes and Awards	-	-	-	-	-	2
TOTAL OPERATING EXPENSES	2,552	61	8,480	66,540	5,428	505,304
OPERATING INCOME (LOSS)	(690)	150	(3,104)	(29,723)	(1,028)	(134,224)
NONOPERATING REVENUES AND (EXPENSES):						
Fines and Settlements	-	-	-	-	-	3
Investment Income (Loss)	-	-	5	(4)	1	(164)
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-	-	-	-	10,471
Insurance Recoveries from Prior Year Impairments	-	-	-	-	-	315
Debt Service	(4)	-	-	(3)	(3)	(2,311)
TOTAL NONOPERATING REVENUES (EXPENSES)	(4)	-	5	(7)	(2)	8,314
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(694)	150	(3,099)	(29,730)	(1,030)	(125,910)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:						
Capital Contributions	-	-	-	-	-	2,093
Transfers-In	-	-	-	-	-	6,183
Transfers-Out	-	-	(71)	(3,329)	(215)	(5,395)
TOTAL CONTRIBUTIONS AND TRANSFERS	-	-	(71)	(3,329)	(215)	2,881
CHANGE IN NET POSITION	(694)	150	(3,170)	(33,059)	(1,245)	(123,029)
NET POSITION - FISCAL YEAR BEGINNING	(2,617)	647	(10,747)	(49,663)	(2,300)	(278,085)
NET POSITION - FISCAL YEAR ENDING	\$ (3,311)	\$ 797	\$ (13,917)	\$ (82,722)	\$ (3,545)	\$ (401,114)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Fees for Service	\$ 1,720	\$ -	\$ 2,600	\$ 8
Receipts for Interfund Services	57,674	10,508	239,789	27
Sales of Products	6	-	139	-
Gifts, Grants, and Contracts	353	-	42	-
Income from Property	-	-	-	15,350
Other Sources	671	-	2,730	153
Cash Payments to or for:				
Employees	(9,180)	(1,986)	(153,991)	(3,805)
Suppliers	(31,824)	(19)	(70,973)	(5,554)
Payments for Interfund Services	(3,792)	(7,773)	(26,308)	(990)
Sales Commissions and Lottery Prizes	-	-	-	-
Other Governments	-	-	-	(1)
Other	(32)	(4)	(33)	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,996	726	(6,005)	5,186
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	953	3,517	2,330	31
Transfers-Out	(1,016)	-	(388)	(1,024)
Receipt of Deposits Held in Custody	200	-	-	-
Release of Deposits Held in Custody	(417)	-	-	-
NonCapital Debt Proceeds	-	172	-	-
NonCapital Debt Service Payments	-	(172)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(280)	3,517	1,942	(993)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(29,455)	(1,189)	(101,707)	(388)
Proceeds from Sale of Capital Assets	29,442	1,040	98,718	109
Capital Debt Service Payments	(16)	(28)	-	-
Capital Lease Payments	(17,873)	(3,943)	-	(2,227)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(17,902)	(4,120)	(2,989)	(2,506)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 30	\$ 38	\$ 82	\$ 414	\$ 4,892
663	191	5,340	36,626	4,015	354,833
1,199	-	-	-	-	1,344
-	-	-	-	-	995
-	-	-	-	-	15,350
-	-	-	161	-	3,715
(920)	(102)	(4,105)	(30,250)	(2,024)	(206,363)
(1,088)	(57)	(441)	(2,907)	(896)	(113,759)
(26)	-	(661)	(245)	(571)	(40,366)
-	-	-	-	(605)	(605)
-	-	-	-	-	(1)
-	-	-	-	(28)	(99)
(172)	62	171	3,467	305	19,336
-	-	-	-	-	6,831
-	-	(71)	(3,329)	(215)	(6,043)
-	-	-	-	-	200
-	-	-	-	-	(417)
-	-	-	-	-	172
-	-	-	-	-	(172)
-	-	(71)	(3,329)	(215)	571
(32)	(43)	-	(282)	-	(133,096)
-	-	-	128	-	129,437
(4)	-	-	(3)	(3)	(54)
-	-	-	-	-	(24,043)
(36)	(43)	-	(157)	(3)	(27,756)

(Continued)

A-121

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	-	12	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(13)	(165)	-
NET CASH FROM INVESTING ACTIVITIES	-	(1)	(165)	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,586)	122	(7,217)	1,687
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	11,808	1,899	18,568	1,584
Prior Period Adjustment/Accounting Change (See Note 15A and 15B)	-	-	-	-
CASH AND POOLED CASH, FISCAL YEAR END	\$ 9,222	\$ 2,021	\$ 11,351	\$ 3,271
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (9,789)	\$ (4,876)	\$ (84,521)	\$ (643)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	18,640	4,491	2,944	2,337
Rents, Fines, Donations, and Grants and Contracts in NonOperating	380	-	-	40
Compensated Absences and Accrued Pension Expense	6,406	3,543	75,308	2,831
Interest and Other Expense in Operating Income	362	(866)	7	288
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	187	-	15,224	(3)
(Increase) Decrease in Inventories	(63)	-	-	8
(Increase) Decrease in Other Operating Assets and Deferred Outflows	(10)	(22)	(719)	-
Increase (Decrease) in Accounts Payable	(517)	93	(7,145)	361
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	-	(1,637)	(7,103)	(33)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,596	\$ 726	\$ (6,005)	\$ 5,186
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	2,093	-	-	-
Loss on Disposal of Capital and Other Assets	3,873	-	6,503	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	144	-	-
Assumption of Capital Lease Obligation or Mortgage	17,852	-	-	-

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	13	38	3	66
-	-	(8)	(42)	(2)	(230)
-	-	5	(4)	1	(164)
(208)	19	105	(23)	88	(8,013)
2,265	658	1,118	6,420	1,845	46,165
-	-	-	-	-	-
\$ 2,057	\$ 677	\$ 1,223	\$ 6,397	\$ 1,933	\$ 38,152
(690)	150	(3,104)	(29,723)	(1,028)	(134,224)
54	234	-	164	-	28,864
577	(357)	3,295	32,986	227	124,816
-	-	-	25	494	310
-	10	2	52	28	15,500
(102)	-	-	-	-	(157)
-	-	(2)	(68)	-	(821)
(11)	25	(20)	33	584	(6,597)
-	-	-	(2)	-	(8,775)
\$ (172)	\$ 62	\$ 171	\$ 3,467	\$ 305	\$ 19,336
-	-	-	-	-	2,093
-	-	-	-	-	10,376
-	-	-	-	-	144
-	-	-	-	-	17,852

A-122

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in its governmental capacity on behalf of local governments, citizens, and other external parties. Pension and Other Employee Benefits Trust Funds and Private Purpose Trust Funds are included in this category. The major components of the fiduciary funds are:

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

STATE EMPLOYEE BENEFIT PLANS This fund was established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care and wellness activity. The State uses a self-funded approach for certain employee and state-official medical claims.

COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST Colorado State University administers four employee defined benefit healthcare plans as part of a single qualifying trust. The plans provide post-employment subsidies for medical premiums, supplemental prescription benefits and income replacement benefits for long-term disability. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S This fund primarily includes moneys managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the moneys in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.

UNCLAIMED PROPERTY This fund comprises a portion of the escheats funds managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. The owner's legal rights to the asset are protected in perpetuity. The fund reports Net Position Held in Trust for the amount ultimately expected to be claimed and paid based on analysis of the history of claims paid versus collections. The remaining unclaimed assets are reported in the Unclaimed Property nonmajor Special Revenue Fund.

COLLEGE SAVINGS PLAN The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the State.

COLLEGE OPPORTUNITY FUND The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the State. The appropriated amounts are held in trust in the COF until the institutions apply for the stipend on behalf of the students. Any unused stipends remain in the COF and do not revert to the State.

OTHER This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts; contractor's performance escrow accounts; sales taxes collected for cities and counties; deposits held to ensure land restoration by mining and oil exploration companies; amounts held for the trustee related to Certificates of Participation or revenue Bonds for Higher Education Institutions, Building Excellent Schools Today (BEST), the Bridge Enterprise program; and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

A-123

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	STATE EMPLOYEE BENEFIT PLANS	COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST	TOTALS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	\$ 81,163	\$ 1,534	\$ 82,697
Other Receivables, net	209	14	223
Due From Other Funds	3,649	-	3,649
Noncurrent Assets:			
Investments:			
Government Securities	-	15,849	15,849
Corporate Bonds	-	10,917	10,917
Asset Backed Securities	-	4,808	4,808
Mutual Funds	-	26,264	26,264
Other Investments	-	19,135	19,135
TOTAL ASSETS	85,021	78,521	163,542
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	19,359	153	19,512
Compensated Absences Payable	15	-	15
Claims and Judgments Payable	16,077	-	16,077
Noncurrent Liabilities:			
Accrued Compensated Absences	35	-	35
TOTAL LIABILITIES	35,486	153	35,639
NET POSITION:			
Held in Trust for:			
Pension/Benefit Plan Participants	49,535	78,368	127,903
TOTAL NET POSITION	\$ 49,535	\$ 78,368	\$ 127,903

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	STATE EMPLOYEE BENEFIT PLANS	COLORADO STATE UNIVERSITY OTHER POST-EMPLOYMENT BENEFITS TRUST	TOTALS
ADDITIONS:			
Member Contributions	\$ 85,652	\$ 1,501	\$ 87,153
Employer Contributions	295,373	6,292	301,665
Investment Income/(Loss)	774	2,657	3,431
Other Additions	2,853	-	2,853
Transfers-In	1,237	-	1,237
TOTAL ADDITIONS	385,889	10,450	396,339
DEDUCTIONS:			
Distributions to Participants	-	3,231	3,231
Health Insurance Premiums Paid	154,867	-	154,867
Health Insurance Claims Paid	182,716	-	182,716
Other Benefits Plan Expense	30,393	-	30,393
Other Deductions	22,495	386	22,881
Transfers-Out	73	-	73
TOTAL DEDUCTIONS	390,544	3,617	394,161
CHANGE IN NET POSITION	(4,655)	6,833	2,178
NET POSITION - FISCAL YEAR BEGINNING	54,190	-	54,190
Accounting Changes (See Note 15B)	-	71,535	71,535
NET POSITION - FISCAL YEAR ENDING	\$ 49,535	\$ 78,368	\$ 127,903

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	TREASURER'S	UNCLAIMED PROPERTY
ASSETS:		
Current Assets:		
Cash and Pooled Cash	\$ 12,930	\$ 130,443
Investments	-	-
Other Receivables, net	30	-
Due From Other Funds	-	-
Noncurrent Assets:		
Investments:		
Government Securities	-	21,941
Repurchase Agreements	-	-
Mutual Funds	-	-
Other Investments	-	-
TOTAL ASSETS	12,960	152,384
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ -	\$ -
Due To Other Funds	-	-
Unearned Revenue	-	-
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	-
TOTAL LIABILITIES	-	-
NET POSITION:		
Held in Trust for:		
Individuals, Organizations, and Other Entities	12,960	152,384
TOTAL NET POSITION	\$ 12,960	\$ 152,384

COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
\$ 54,715	\$ 206	\$ 5,382	\$ 203,676
-	-	235	235
9,250	-	1,508	10,788
8,246	-	-	8,246
-	-	-	21,941
2,506	-	-	2,506
6,482,118	-	-	6,482,118
911,248	-	-	911,248
7,468,083	206	7,125	7,640,758
\$ 7,991	\$ -	\$ 1,584	\$ 9,575
48	-	25	73
4,247	-	4,109	8,356
4,343	-	-	4,343
16,629	-	5,718	22,347
7,451,454	206	1,407	7,618,411
\$ 7,451,454	\$ 206	\$ 1,407	\$ 7,618,411

A-125

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)

	TREASURER'S	UNCLAIMED PROPERTY
ADDITIONS:		
Additions By Participants	\$ -	\$ -
Investment Income/(Loss)	56	(1,316)
Unclaimed Property Receipts	-	38,796
Other Additions	919	-
TOTAL ADDITIONS	975	37,480
DEDUCTIONS:		
Distributions to Participants	-	-
Payments in Accordance with Trust Agreements	470	29,898
Transfers-Out	-	-
TOTAL DEDUCTIONS	470	29,898
CHANGE IN NET POSITION	505	7,582
NET POSITION - FISCAL YEAR BEGINNING	12,455	144,802
NET POSITION - FISCAL YEAR ENDING	\$ 12,960	\$ 152,384

COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	OTHER	TOTALS
\$ 913,760	\$ 285,272	\$ 10,312	\$ 1,209,344
676,377	-	17	675,134
-	-	-	38,796
1,232	-	1,518	3,669
1,591,369	285,272	11,847	1,926,943
-	285,210	-	285,210
700,923	-	11,847	743,138
-	-	23	23
700,923	285,210	11,870	1,028,371
890,446	62	(23)	898,572
6,561,008	144	1,430	6,719,839
\$ 7,451,454	\$ 206	\$ 1,407	\$ 7,618,411

**COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<i>DEPARTMENT OF REVENUE AGENCY FUNDS</i>				
(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	\$ 130,191	\$ 1,684,319	\$ 1,675,718	\$ 138,792
Taxes Receivable, net	161,138	250,210	238,919	172,429
Prepays, Advances and Deposits	-	1	1	-
TOTAL ASSETS	\$ 291,329	\$ 1,934,530	\$ 1,914,638	\$ 311,221
LIABILITIES:				
Tax Refunds Payable	\$ 8,221	\$ 3,807	\$ 8,221	\$ 3,807
Due To Other Governments	282,378	1,845,319	1,820,658	307,039
Claims and Judgments Payable	39	866	897	8
Other Long-Term Liabilities	691	366	690	367
TOTAL LIABILITIES	\$ 291,329	\$ 1,850,358	\$ 1,830,466	\$ 311,221

**COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<i>OTHER AGENCY FUNDS</i>				
(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	\$ 142,088	\$ 209,519	\$ 216,058	\$ 135,549
Taxes Receivable, net	6,812	10,719	10,137	7,394
Other Receivables, net	333	2,492	2,470	355
Inventories	5	-	-	5
Other Long-Term Assets	12,130	7,369	8,128	11,371
TOTAL ASSETS	\$ 161,368	\$ 230,099	\$ 236,793	\$ 154,674
LIABILITIES:				
Tax Refunds Payable	\$ 428	\$ 29	\$ 428	\$ 29
Accounts Payable and Accrued Liabilities	1,001	24,837	24,639	1,199
Due To Other Governments	11,495	124,345	123,513	12,327
Due To Other Funds	-	10,413	10,413	-
Unearned Revenue	-	13	13	-
Claims and Judgments Payable	68	331	371	28
Other Current Liabilities	147,897	126,188	133,417	140,668
Deposits Held In Custody For Others	457	311	351	417
Other Long-Term Liabilities	22	6	22	6
TOTAL LIABILITIES	\$ 161,368	\$ 286,473	\$ 293,167	\$ 154,674

**COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<i>DEPARTMENT OF TREASURY AGENCY FUNDS</i>				
(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	\$ 223,569	\$ 304,416	\$ 220,808	\$ 307,177
Due From Other Funds	7,887	14,098	7,887	14,098
TOTAL ASSETS	\$ 231,456	\$ 318,514	\$ 228,695	\$ 321,275
LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ -	\$ 195	\$ 188	\$ 7
Due To Other Funds	-	384	384	-
Other Current Liabilities	174,793	333,626	222,240	286,179
Deposits Held In Custody For Others	56,663	1,426	23,000	35,089
TOTAL LIABILITIES	\$ 231,456	\$ 335,631	\$ 245,812	\$ 321,275

**COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<i>TOTALS - ALL AGENCY FUNDS</i>				
(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	\$ 495,848	\$ 2,198,254	\$ 2,112,584	\$ 581,518
Taxes Receivable, net	167,950	260,929	249,056	179,823
Other Receivables, net	333	2,492	2,470	355
Due From Other Funds	7,887	14,098	7,887	14,098
Inventories	5	-	-	5
Prepays, Advances and Deposits	-	1	1	-
Other Long-Term Assets	12,130	7,369	8,128	11,371
TOTAL ASSETS	\$ 684,153	\$ 2,483,143	\$ 2,380,126	\$ 787,170
LIABILITIES:				
Tax Refunds Payable	\$ 8,649	\$ 3,836	\$ 8,649	\$ 3,836
Accounts Payable and Accrued Liabilities	1,001	25,032	24,827	1,206
Due To Other Governments	293,873	1,969,664	1,944,171	319,366
Due To Other Funds	-	10,797	10,797	-
Unearned Revenue	-	13	13	-
Claims and Judgments Payable	107	1,197	1,268	36
Other Current Liabilities	322,690	459,814	355,657	426,847
Deposits Held In Custody For Others	57,120	1,737	23,351	35,506
Other Long-Term Liabilities	713	372	712	373
TOTAL LIABILITIES	\$ 684,153	\$ 2,472,462	\$ 2,369,445	\$ 787,170



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 18 on page 161.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COLORADO VENTURE CAPITAL AUTHORITY	HLC @ METRO	TOTAL
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 6,047	\$ 11,649	\$ 164	\$ 17,860
Other Receivables, net	292	7	150	449
Due From Other Governments	-	-	403	403
Prepays, Advances and Deposits	1,194	-	-	1,194
Total Current Assets	7,533	11,656	717	19,906
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,208	-	8,572	9,780
Investments	-	50,516	-	50,516
Other Long-Term Assets	222	-	166	388
Depreciable Capital Assets and Infrastructure, net	125,175	-	38,416	163,591
Land and Nondepreciable Capital Assets	20,613	-	4,780	25,393
Total Noncurrent Assets	147,218	50,516	51,934	249,668
TOTAL ASSETS	154,751	62,172	52,651	269,574
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	55	-	1,312	1,367
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	-	-	475	475
Total Current Liabilities	55	-	1,787	1,842
Noncurrent Liabilities:				
Notes, Bonds, and COPs Payable	-	-	51,735	51,735
Other Long-Term Liabilities	-	-	-	-
Total Noncurrent Liabilities	-	-	51,735	51,735
TOTAL LIABILITIES	55	-	53,522	53,577
NET POSITION:				
Net investment in Capital Assets:	145,789	-	43,269	189,058
Restricted for:				
Other Purposes	2,454	-	-	2,454
Unrestricted	6,453	62,172	(44,140)	24,485
TOTAL NET POSITION	\$ 154,696	\$ 62,172	\$ (871)	\$ 215,997

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
FOR THE YEAR ENDED JUNE 30, 2017**

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COLORADO VENTURE CAPITAL AUTHORITY	HLC @ METRO	TOTAL
OPERATING REVENUES:				
Sales of Goods and Services	\$ -	\$ -	\$ 9,954	\$ 9,954
Investment Income (Loss)	-	(1,414)	-	(1,414)
Rental Income	1,660	-	-	1,660
TOTAL OPERATING REVENUES	1,660	(1,414)	9,954	10,200
OPERATING EXPENSES:				
Operating and Travel	476	85	6,238	6,799
Depreciation and Amortization	4,681	-	1,180	5,861
TOTAL OPERATING EXPENSES	5,157	85	7,418	12,660
OPERATING INCOME (LOSS)	(3,497)	(1,499)	2,536	(2,460)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	7	98	11	116
Gifts and Donations	-	-	76	76
Federal Grants and Contracts	-	-	991	991
Debt Service	-	-	(3,224)	(3,224)
Other Expenses	-	-	(2,028)	(2,028)
Other Revenues	1,326	-	-	1,326
TOTAL NONOPERATING REVENUES (EXPENSES)	1,333	98	(4,174)	(2,743)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,164)	(1,401)	(1,638)	(5,203)
CHANGE IN NET POSITION	(2,164)	(1,401)	(1,638)	(5,203)
NET POSITION - FISCAL YEAR BEGINNING	156,860	63,573	767	221,200
NET POSITION - FISCAL YEAR ENDING	\$ 154,696	\$ 62,172	\$ (871)	\$ 215,997



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, 2017**

(DOLLARS IN THOUSANDS)

	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	\$ -	\$ -	\$ -	\$ -
Legislature	-	-	-	-
Military Affairs	3,554	10,164	64,928	-
Personnel & Administration	6,763	2,786	78,148	-
Revenue	-	76	-	-
Subtotal	10,317	13,026	143,076	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	8,110	-
GOV, CEO, OEDIT ¹	-	-	-	51
Labor and Employment	543	232	5,007	-
Local Affairs	-	1,201	-	-
Regulatory Agencies	-	-	-	-
Revenue	536	-	833	-
State	-	-	-	-
Subtotal	1,182	1,433	13,950	51
EDUCATION				
Education	152	20	771,267	1,238
Higher Education	1,842	694	100,009	9,057
Subtotal	1,994	714	871,276	10,295
HEALTH AND REHABILITATION				
Public Health and Environment	188	245	3,534	-
Human Services	3,068	1,837	86,270	-
Subtotal	3,256	2,082	89,804	-
JUSTICE				
Corrections	2,964	4,741	534,030	-
DHS, Division of Youth Services	1,675	395	63,834	-
Judicial	1,605	744	219,364	2,248
Law	-	103	-	9
Public Safety	1,399	1,191	21,363	-
Regulatory Agencies	-	-	-	-
Subtotal	7,643	7,174	838,591	2,257
NATURAL RESOURCES				
Natural Resources	69,239	754	36,857	-
SOCIAL ASSISTANCE				
Human Services	-	1,549	1,865	-
Labor and Employment	-	-	-	-
Military Affairs	36	4,538	2,487	34
Health Care Policy and Financing	-	-	-	-
Subtotal	36	6,087	4,352	34
TRANSPORTATION				
Transportation	22,479	110	193,318	-
TOTAL CAPITAL ASSETS	\$ 116,146	\$ 31,380	\$ 2,191,224	\$ 12,637

¹Governor'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
\$ 29,714	\$ 6,847	\$ -	\$ 9,833	\$ -	\$ 46,394
483	-	-	546	-	1,029
506	-	9	2,310	-	81,471
86,271	33,000	15	13,018	-	220,001
3,984	31,594	-	1,853	-	37,507
120,958	71,441	24	27,560	-	386,402
1,628	(37)	-	109	-	9,913
9	-	-	-	-	60
600	2,341	190	848	-	9,761
193	1	643	-	-	2,038
363	39	-	-	-	402
63	225	-	-	-	1,657
1,160	138	-	-	-	1,298
4,016	2,707	833	957	-	25,129
1,696	1,057	-	4,482	-	779,912
809	54	(8)	2,028	51	114,536
2,505	1,111	(8)	6,510	51	894,448
6,663	9,901	534	-	-	21,065
1,313	(10,354)	61	16,795	-	98,990
7,976	(453)	595	16,795	-	120,055
8,546	79	265	7,627	-	558,252
602	-	-	4,152	-	70,658
11,679	16,097	-	5,592	-	257,329
1,405	43	-	5	-	1,565
20,611	3,970	81	25,172	-	73,787
16	-	-	-	-	16
42,859	20,189	346	42,548	-	961,607
1,418	1,198	1,478	3,383	-	114,327
3,315	31,091	-	38,014	-	75,834
103	-	-	-	-	103
135	-	-	-	-	7,230
43	118,076	-	-	-	118,119
3,596	149,167	-	38,014	-	201,286
172,681	2,531	-	790,743	8,194,485	9,376,347
\$ 356,009	\$ 247,891	\$ 3,268	\$ 926,510	\$ 8,194,536	\$ 12,079,601



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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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, 2017

(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	7,790	-	7,790
Other Permanent-Nonexpendable	TRUST 33-1-112	1,259	-	1,259
Co Veterans Monument Preservation Trust Fund - Nonexpendable	TRUST 2480-1401	744	-	744
Hall Historical Marker - Nonexpendable	TRUST 24-80-209	97	-	97
Parks For Future Generations Trust Fund - Nonexpendable	33-10-111(6)(a)	35	-	35
Co Veterans' Monument Preservation Trust Fund - Expendable	TRUST 2480-1401	26	-	26
		2	-	2
Total Other Permanent Funds		\$ 9,953	\$ -	\$ 9,953
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse And Breeders Awards Fund	12-60-704	635	-	635
Early Intervention Services Trust Fund	27-10-5-706	6,132	5,703	429
Brand Estray Fund	35-41-102	358	15	343
Total Other Private Purpose Funds		\$ 7,125	\$ 5,718	\$ 1,407
OTHER ENTERPRISE FUNDS				
Collegenest Administration	23-3-1-205.4	38,331	18,602	19,729
Early Achievers Scholarship Trust	23-3-1-206.9	14,234	-	14,234
Capitol Parking Fund	NONE	12,254	2,928	9,326
Grounds Cash Fund	26-1-133.5(2)	4,223	915	3,308
Electronic Recording Technology Fund	24-21-404(1)(a)	1,337	6	1,331
Collegenest Bond Operations	23-3-1-205.4	98	-	98
Other Enterprise Funds	VARIOUS	95	-	95
Clean Screen Authority	42-4-307.5	434	347	87
Work Therapy Cash Fund	26-8-107	271	360	(89)
Business Enterprise Program	26-8-5-107	2,095	3,126	(1,031)
Enterprise Services Fund	24-80-209	4,626	9,138	(4,512)
Brand Inspection Fund	35-41-102	14,449	25,476	(11,027)
Total Other Enterprise Funds		\$ 92,447	\$ 60,898	\$ 31,549
OTHER INTERNAL SERVICE FUNDS				
Professional Development Cash Fund	24-50-122(2)	247	70	177
Debt Collection Fund	24-30-202.4	3,840	7,562	(3,722)
Total Other Internal Service Funds		\$ 4,087	\$ 7,632	\$ (3,545)
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance Fund	22-43.7-104	393,097	2,200	390,897
State Employee Reserve Fund	24-50-104	56,333	-	56,333
Controlled Maintenance Trust Fund	24-75-302.5	49,945	-	49,945
Economic Development Fund	24-46-105	32,016	22	31,994
Intellectual And Developmental Disabilities Services Cash Fund	25.5-10-207	11,639	321	11,318
Real Estate Proceeds Fund	28-3-106	10,589	-	10,589
Legislative Department Cash	2-2-1601(1)	11,036	462	10,574
Housing Development Grant Fund	24-32-721	10,283	1,221	9,062
Indirect Cost Excess Recovery Fund	24-75-1401	8,713	1,143	8,570
Old Age Pension Stabilization Fund	26-2-116	5,000	-	5,000
Housing Assistance For Persons Transitioning Criminal & JJ	Housing Assist	4,759	-	4,759
Skilled Worker Outreach Recruitment & Key Training Fund	8-83-307	4,909	489	4,420
State Social Security Income Stabilization Fund	26-2-210(1)	3,767	-	3,767
Underfunded Courthouse Facility Cash Fund	13-1-304	2,683	314	2,369
Natural Hazard Mapping Fund	37-60-131(1)(a)	2,116	88	2,028
Grand Junction Regional Center Campus Cash Fund	27-10-5-312(4)	1,866	6	1,860
Cross-System Response For Behavioral Health Crises Pilot Pgm	BHC Pilot	1,886	402	1,484
Persistent Drunk Driver Fund	42-3-130.5	1,359	199	1,160
Ballot Information Publication & Distribution Revolving Fund	1-40-124.5	1,109	-	1,109
Tax Amnesty Cash Fund	39-21-202	962	-	962
Charter School Assistance Fund	22-30.5-515	1,917	1,207	710
Charter School Institute Fund	22-30.5-506	3,316	2,645	671
Colorado Health Care Services Fund	25.5-3-112	663	-	663
Energy Research Cash Fund	24-48-5-120	579	-	579
Colorado Family Support Loan Fund	27-10-5-502	547	2	545
Older Coloradans Cash Fund	26-11-205.5	2,127	1,646	481
Diseased Livestock Fund	35-50-140.5	474	-	474

(Continued)

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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, 2017

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/Deferred Outflows	Liabilities/Deferred Inflows	Net Position/Fund Balance
Firefighter Benefits Cash Fund	29-5-302(11)(a)	399	-	399
Start Smart Nutrition Program Fund	22-82.7-105	470	80	390
Conservation Trust Fund	24-35-210(10)	13,595	13,243	352
Advanced Industries Export Acceleration Cash Fund	24-47-103(8)	399	89	310
Colorado National Guard Tuition Fund	23-5-111.4	299	-	299
Industry Infrastructure Fund	24-46.3-404	302	30	272
Highway Crossing Fund	43-4-201	243	-	243
Legislative Expenses Fund	2-3-1002(1)	218	-	218
Strategic Action Plan On Aging Cash Fund	24-32-3407(1)	128	10	118
Hospitality Career Secondary Education Fund	24-46.3-204	217	105	112
Service Fee Fund	26-4-410(1)D	72	15	57
Child Welfare Transition Cash Fund	25.5-6-409.5(9)	21	-	21
Prepaid Wireless Trust Cash Fund	29-11-102.5	11	-	11
Child Protection Ombudsman Program	19-3-3-107(1)	8	-	8
Youth Advisory Council Cash Fund	2-2-1306	4	-	4
Colorado Heritage Communities Fund	24-32-3207	3	-	3
Colorado Student Leaders Institute Cash Fund	24-44.3-105(1)	73	72	1
Professional Development And Student Support Fund	22-24-108(3)(a)	1	-	1
Recovery Audit Cash Fund	24-30-203.5	1	-	1
Procurement Technical Assistance Cash Fund	24-48.5-121(8)	2	1	1
Oap Health And Medical Care Fund	25.5-2-101(2)	92	92	-
Total Other Special Purpose General Funds		\$ 640,248	\$ 25,104	\$ 615,144
OTHER SPECIAL REVENUE FUNDS				
Marijuana Tax Cash Fund	39-28.8-501	146,137	8,017	138,120
Mortgage Fraud Custodial Funds	Settlement	42,226	411	41,815
Consumer Protection Custodial Funds	6-1-103	33,154	466	32,688
Colorado Opportunity Scholarship Initiative Fund	23-3-3-1005	32,138	301	31,837
Marijuana Cash Fund	12-43.3-501	32,506	1,087	31,509
Advance Industries Acceleration Fund	24-44.3-117	27,372	1,072	26,300
Gear Up Scholarship Trust Fund	Settlement	25,009	(24)	25,033
Supreme Court Committee Fund	COURT RULE 227	16,352	718	15,634
Victims Compensation Fund	24-4-1-117	11,806	16	11,790
Victims Assistance Fund	24-4-2-104	11,223	106	11,117
Offender Services Fund	16-11-214	11,416	555	10,861
Adult Dental Fund	25.5-5-207(4)	11,745	1,388	10,357
Justice Center Cash Fund	13-32-101(7)	9,601	217	9,384
Judicial Information Technology Cash Fund	13-32-114	10,121	1,587	8,534
Hud Section 8 Housing Choice Voucher Program Fund	29-4-708(K)	8,456	170	8,286
Title Iv-E Waiver Demonstration Project Cash Fund	26-5-105.4(4)(b)	7,342	50	7,292
Correctional Treatment Cash Fund	18-19-103(4)	7,088	738	6,350
Colorado Bureau Of Investigation Identification Unit Fund	24-33.5-426	6,437	1,145	5,292
Uniform Commercial Credit Code Custodial Funds	4-1-102	5,185	93	5,092
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,323	1,276	5,047
Department Of State Cash Fund	24-21-104	6,845	1,807	5,038
Judicial Stabilization Cash Fund	13-32-101	5,046	394	4,652
Judicial Collection Enhancement Fund	16-11-101.6	5,164	571	4,593
Public School Construction And Inspection Fund	24-33.5-1207	3,931	140	3,791
Collection Agency Board Custodial Fund	24-31-108	3,518	7	3,511
Creative Industries Cash Fund	24-48.5-301(2)	3,624	181	3,443
Conveyance Safety Fund	9-5-5-111(2)	3,060	31	3,029
Other Education Special Revenue Funds	VARIOUS	2,710	2	2,708
Housing Rehabilitation Revolving Loans	29-4-728	2,403	-	2,403
Broadband Fund	40-15-509.5(4)	2,652	300	2,352
Attorney'S Fees And Costs Fund	24-31-108(2)	2,352	-	2,352
Energy Efficiency Project Fund	24-38.5-106(4)	2,090	-	2,090
Division Of Professions And Occupations Cash Fund	24-34-105	19,995	17,975	2,020
Mfp Rebalancing Fund	FEDERAL	1,969	-	1,969
Commercial Vehicle Enterprise Fund	42-1-225(1)	1,941	-	1,941
P.O.S.T. Board Cash Fund	24-31-303(2)	2,860	981	1,879
Supplier Database Cash Fund	24-102-202.5	1,840	-	1,840
Patient Benefit Fund	CUSTODIAL	1,830	1	1,829
Traumatic Brain Injury Fund	26-1-210(1)	2,061	295	1,766
Victims Assistance And Law Enforcement Fund	24-33.5-506	2,004	243	1,761
Inspection And Consumer Services Cash Fund	35-1-106.5	2,316	643	1,673

(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, 2017**

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets/ Deferred Outflows	Liabilities/ Deferred Inflows	Net Position/ Fund Balance
Court Security Cash Fund	13-1-204(1)	2,210	600	1,610
History Colorado Restricted Donations	24-80-209	1,658	97	1,561
Donations - Governor'S Office	CUSTODIAL	1,742	214	1,528
Criminal Alien Assistance Cash Fund	17-1-107.5	2,877	1,409	1,468
Division Of Insurance Cash	10-1-103	5,674	4,240	1,434
Help America Vote Act Fund	FED HAVA 2002	1,406	51	1,355
Public School Transportation Fund	22-51-103(1)	1,546	235	1,311
Public Utilities Commission Fixed Utility Fund	40-2-114	1,982	889	1,093
Hud Community Development Block Grant Program Income Fund	24-76-101	1,071	16	1,055
Federal Tax Relief Act Of 2003	FEDERAL	1,080	27	1,053
Uniform Consumer Credit Code Cash Fund	5-6-204	1,809	955	854
Restorative Justice Surcharge Fund	18-25-101(3)	1,036	244	792
Real Estate Cash Fund	12-61-111.5	3,967	3,175	792
Colorado Bureau Of Investigation Contraband Fund	24-33.5-415	788	-	788
Auto Dealers License Fund	12-6-123	970	199	771
Other Human Services Special Revenue Funds	VARIOUS	1,286	530	756
Plant Health, Pest Control And Environmental Protection Fund	35-1-106.3	2,112	1,357	755
Retail Marijuana Excise Tax Fund	12-43.3-501	1,381	645	736
Public Deposit Administration Fund	11-10.5-112	1,015	327	688
Waste Tire Market Development Fund	25-17-202.9	732	64	668
Howard Fund	26-8-104(1)C	667	-	667
School Bullying Prevention And Education Cash Fund	22-93-105(1)	614	8	606
Identity Theft Financial Fraud Fund	24-33.5-1707	626	27	599
Alcohol And Drug Driving Safety Program Fund	42-4-1301.3	620	33	587
Library Trust Fund	24-90-105	558	7	551
Agricultural Products Inspection Fund	35-23-114(3)	733	182	551
Judicial Performance Cash Fund	13-5.5-107	570	27	543
State Patrol Contraband Fund	24-33.5-225	556	22	534
Insurance Fraud Cash Fund	10-3-207.5(2)	1,467	942	525
Educator Licensure Cash Fund	22-60.5-112	612	167	445
Mortgage Company And Loan Originator Licensing Cash Fund	12-61-908(2)	662	220	442
Telecommunications Utility Fund	40-2-114(b)	530	96	434
Liquor Enforcement Division & State Licensing Authority	24-35-401	638	217	421
State Public Financing Fund	24-36-121(7)	422	1	421
Interstate Compact Probation Transfer Cash Fund	18-1.3-204(4)	422	7	415
Colorado Domestic Abuse Program Fund	39-22-802	462	76	386
State Toxicology Laboratory Fund	24-33.5-428(2)	476	92	384
Building Regulation Fund	24-32-3309	449	67	382
Federal Law Enforcement Asset Forfeitures	US DOT Fortfeit	367	-	367
Public Education Fund	39-22-4203	359	-	359
Prescription Drug Monitoring Fund	12-22-706(1)	361	10	351
Public Utilities Commission Motor Carrier Fund	40-2-110.5	652	305	347
Travel And Tourism Additional Sources Fund	24-49.7-106	349	4	345
Violent Offender Id Fund	24-33.5-415.6	335	14	321
State Archives And Public Records Cash Fund	24-80-102(10)	326	5	321
Child Care Assistance Cliff Effect Pilot Program Fund	26-2-808(2.5)	316	-	316
Financial Services Cash Fund	11-40-106(2)	424	115	309
Family-Friendly Court Program Fund	13-3-113(6)	314	7	307
Homeless Prevention Program Fund	39-22-1302	298	7	291
Food Distribution Program Service Fund	26-1-121(4B)	410	121	289
Records And Reports Fund	19-1-307(2.5)	323	49	274
Hud 5 Year Mainstream Program Fund	29-4-708(K)	280	9	271
Fire Suppression Cash Fund	24-33.5-1207	280	11	269
Innovative Energy Fund	24-38.5-102.5	370	111	259
Performance-Based Collaborative Management Incentive Fund	24-1.9-104	3,023	2,767	256
Property Tax Exemption Fund	39-2-117(3)	329	79	250
Child Care Licensing Cash Fund	26-6-105	295	50	245
Moffat Tunnel Cash Fund	32-8-126	245	-	245
Sex Offender Surcharge Fund	18-21-103	471	226	245
State And Veterans Nursing Homes Patient Benefit Fund	26-12-108(2)	226	1	225
Transportation Network Company Fund	40-10.1-607	228	7	221
Noxious Weed Management Fund	35-5.5-116	245	24	221
Hud Home Investment Partnership Act Program Income Fund	NONE	211	-	211
Cervidae Disease Fund	35-50-115	204	-	204
Witness Protection Fund	24-33.5-106	203	-	203
150 Funds with Net Assets Below \$200,000		30,288	24,338	5,950
Total Other Special Revenue Funds		\$ 631,096	\$ 88,685	\$ 542,411



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.

A-135

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
BUDGET AND ACTUAL - NON-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			\$ 181,699	
Income Taxes			380,475	
Other Taxes			16,586	
Federal Grants and Contracts			(44)	
Sales and Services			19	
Interest Earnings			841	
Other Revenues			2,279	
Transfers-In			3,181	
TOTAL REVENUES AND TRANSFERS-IN			585,037	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Governor	\$ -	\$ 6,420	6,420	\$ -
Health Care Policy and Financing	-	4,374	3,289	1,085
Higher Education	423	1,357	1,357	-
Human Services	-	332	144	188
Judicial Branch	-	156	155	1
Labor and Employment	-	921	921	-
Local Affairs	4,233	4,328	4,319	9
Personnel & Administration	-	278	278	-
Public Health and Environment	-	1,000	1,000	-
Regulatory Agencies	4,150	4,150	4,150	-
Revenue	131,044	231,423	226,752	4,671
Transportation	-	392	392	-
Treasury	336,966	330,266	330,266	-
Transfers Not Appropriated by Department	31,784	31,784	31,784	-
SUB-TOTAL OPERATING BUDGETS	508,600	617,181	611,227	5,954
TOTAL EXPENDITURES AND TRANSFERS-OUT	\$ 508,600	\$ 617,181	611,227	\$ 5,954
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			\$ (26,190)	

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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, 2017**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 870,143	
Income Taxes			53,830	
Other Taxes			852,177	
Tuition and Fees			258,058	
Sales and Services			1,378,066	
Interest Earnings			774,027	
Other Revenues			2,816,596	
Transfers-In			5,403,374	
TOTAL REVENUES AND TRANSFERS-IN			12,406,271	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 5,194	\$ 6,562	4,129	\$ 2,433
Corrections	19,762	40,672	38,516	2,156
Education	3,767,542	3,759,942	3,751,816	8,126
Governor	245,762	291,769	108,916	182,853
Health Care Policy and Financing	21,852	24,216	15,273	8,943
Higher Education	1,578,404	1,635,142	1,143,893	491,249
Human Services	320,672	164,725	134,931	29,794
Judicial Branch	43,793	61,388	56,417	4,971
Labor and Employment	650,339	655,475	511,467	144,008
Law	36,097	36,414	6,961	29,453
Legislative Branch	13,651	13,651	5,835	7,816
Local Affairs	403,399	403,681	212,494	191,187
Military and Veterans Affairs	1,645	1,645	1,180	465
Natural Resources	787,004	816,156	276,018	540,138
Personnel & Administration	461,181	468,898	458,889	10,009
Public Health and Environment	50,463	52,534	18,107	34,427
Public Safety	101,030	111,322	71,560	39,762
Regulatory Agencies	4,565	5,047	1,774	3,273
Revenue	781,524	863,886	646,313	217,573
State	1,209	1,241	473	768
Transportation	3,169,606	3,302,320	1,209,454	2,092,866
Treasury	1,659,796	1,672,596	1,670,196	2,400
Budgets/Transfers Not Recorded by Department	7,386	7,386	7,386	-
SUB-TOTAL OPERATING BUDGETS	14,131,876	14,396,668	10,351,998	4,044,670
Capital and Multi-Year Budgets:				
Departmental:				
Natural Resources	35,086	77,538	16,464	61,074
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	35,086	77,538	16,464	61,074
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 14,166,962	\$ 14,474,206	10,368,462	\$ 4,105,744
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			\$ 2,037,809	

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**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, 2017**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			\$ 4,188,187	
TOTAL REVENUES AND TRANSFERS-IN			4,188,187	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ 4,110	\$ 12,553	6,451	\$ 6,102
Corrections	1,358	8,088	5,633	2,455
Education	649,511	854,406	601,517	252,889
Governor	6,512	74,423	26,955	47,468
Health Care Policy and Financing	243,421	378,262	325,113	53,149
Higher Education	22,602	415,176	345,979	69,197
Human Services	280,400	1,392,133	1,137,544	254,589
Judicial Branch	9,920	27,759	22,548	5,211
Labor and Employment	104,798	204,766	122,413	82,353
Law	1,783	1,783	1,616	167
Local Affairs	75,086	288,747	119,483	169,264
Military and Veterans Affairs	215,559	24,453	13,611	10,842
Natural Resources	30,488	155,390	53,328	102,062
Personnel & Administration	-	400	189	211
Public Health and Environment	267,736	488,148	293,882	194,266
Public Safety	61,509	460,601	122,665	337,936
Regulatory Agencies	1,384	9,769	3,188	6,581
Revenue	824	3,694	1,092	2,602
State	-	1,803	468	1,335
Transportation	650,883	851,999	730,877	121,122
Treasury	90,876	96,511	96,511	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,718,760	5,750,864	4,031,063	1,719,801
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$ 2,718,760	\$ 5,750,864	4,031,063	\$ 1,719,801
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			\$ 157,124	



**SCHEDULE OF TABOR REVENUE
AND COMPUTATIONS**



A-138

**STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
COMPARISON OF NONEXEMPT TABOR REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)	Percent Change
GENERAL REVENUES				
Individual Income Tax, Net	\$ 6,217,352,254	\$ 6,009,321,330	\$ 208,030,924	3.5%
Sales and Use Tax, Net	2,986,889,660	2,826,501,589	160,388,071	5.7%
Corporate Income Tax, Net	467,410,554	606,441,176	(139,030,622)	-22.9%
Insurance Taxes	290,502,910	280,345,463	10,157,447	3.6%
Tobacco Products Tax, Net	57,789,846	58,310,466	(520,620)	-0.9%
Fiduciary Income Tax, Net	45,469,559	40,481,628	4,987,931	12.3%
Alcoholic Beverages Tax, Net	44,993,816	43,563,728	1,430,088	3.3%
Court and Other Fines	23,414,532	9,635,176	13,779,356	143.0%
Interest and Investment Income	14,249,805	12,247,469	2,002,336	16.3%
Business Licenses and Permits	5,314,217	7,794,948	(2,480,731)	-31.8%
Miscellaneous Revenue	1,830,729	1,627,174	203,555	12.5%
Gaming and Other Taxes	578,949	573,330	5,619	1.0%
General Government Service Fees	315,724	436,561	(120,837)	-27.7%
Other Charges For Services	20,081	27,488	(7,407)	-26.9%
Certifications and Inspections	-	12,256	(12,256)	-100.0%
Estate and Inheritance Taxes	(31,700)	257	(31,957)	-12436.1%
TOTAL GENERAL-FUNDED REVENUES	10,156,100,936	9,897,320,039	258,780,897	2.6%
PROGRAM REVENUE				
Health Service Fees	731,250,340	877,773,803	(146,523,463)	-16.7%
Fuel and Transportation Taxes, Net	630,990,319	611,582,083	19,408,236	3.2%
Motor Vehicle Registrations	266,685,397	255,992,618	10,692,779	4.2%
Court and Other Fines	172,313,824	174,498,360	(2,184,536)	-1.3%
Business Licenses and Permits	169,412,205	166,927,963	2,484,242	1.5%
Other Charges For Services	153,669,337	147,675,578	5,993,759	4.1%
Gaming and Other Taxes	102,835,083	101,887,325	947,758	0.9%
Sales and Use Tax, Net	64,305,919	45,222,821	19,083,098	42.2%
General Government Service Fees	63,712,514	61,870,047	1,842,467	3.0%
Rents and Royalties	55,339,198	53,773,977	1,565,221	2.9%
Interest and Investment Income	49,936,280	48,497,259	1,439,021	3.0%
Driver's Licenses	42,403,181	38,235,424	4,167,757	10.9%
Nonbusiness Licenses and Permits	36,379,181	34,903,176	1,476,005	4.2%
Employment Taxes	32,507,078	30,767,812	1,739,266	5.7%
Local Governments and Authorities	32,432,799	43,166,821	(10,734,022)	-24.9%
Educational Fees	29,011,260	28,349,061	662,199	2.3%
Certifications and Inspections	24,482,392	20,141,368	4,341,024	21.6%
Public Safety Service Fees	23,419,927	20,015,508	3,404,419	17.0%
Miscellaneous Revenue	21,777,816	111,638,991	(89,861,175)	-80.5%
Severance Taxes	12,619,042	11,772,706	846,336	7.2%
Insurance Taxes	11,010,200	10,770,330	239,870	2.2%
Higher Education Auxiliary Sales and Services	4,554,796	4,292,660	262,136	6.1%
Sales of Products	2,538,713	3,140,518	(601,805)	-19.2%
Welfare Service Fees	1,008,783	780,564	228,219	29.2%
Alcoholic Beverages Tax, Net	716,447	754,420	(37,973)	-5.0%
Disproportionate Share Providers	-	-	-	0.0%
Other Excise Taxes, Net	243,381	329,800	(86,419)	-26.2%
Tobacco Products Tax, Net	438	445	(7)	-1.5%
Other Revenue	-	150	(150)	-100.0%
TOTAL PROGRAM REVENUES	2,735,555,850	2,904,761,588	(169,205,738)	-5.8%
Requalification of Fort Lewis College as a TABOR Enterprise	-	20,702,634	(20,702,634)	
Other Agency Revenues from Requalification of Fort Lewis College as a TABOR Enterprise	-	(1,275,693)	1,275,693	
Prior Year Errors	-	2,899,481	(2,899,481)	
TOTAL CASH-FUNDED REVENUE	2,735,555,850	2,927,088,010	(191,532,160)	-6.5%
TOTAL NONEXEMPT REVENUE	\$ 12,891,656,786	\$ 12,824,408,049	\$ 67,248,737	0.5%

STATE OF COLORADO SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20 -- UNAUDITED AS OF JUNE 30, 2017		
	FISCAL YEAR 2015-16	FISCAL YEAR 2016-17
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	\$ 42,537,731,555	\$ 44,583,527,282
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	8,458,394,515	10,618,379,415
College Invest	623,149,830	704,500,649
College Assist	613,735,094	600,754,217
State Lottery	597,474,129	563,086,231
Unemployment Compensation Section	531,606,636	519,152,945
Parks and Wildlife	229,006,335	281,272,127
State Nursing Homes	59,711,521	84,907,496
Correctional Industries	73,701,031	75,979,315
Petroleum Storage Tank Fund	43,305,095	40,310,963
Statewide Transportation Enterprise	33,580,526	23,502,067
Statewide Bridge Enterprise	16,675,940	21,910,988
Brand Board	5,079,919	8,192,797
Clean Screen Authority	4,347,950	4,562,319
Capitol Parking Authority	1,091,211	966,673
Electronic Recording Technology Fund	-	14,198
Subtotal Enterprise Expenses	11,290,859,732	13,547,502,400
Total District Expenditures	31,246,871,823	31,036,024,882
Less Exempt District Revenues:		
Federal Funds	9,060,833,952	8,690,444,369
Interfund Transfers	7,287,302,792	7,132,670,428
Voter Approved Revenue Changes (Note 8)	803,704,749	876,407,717
Other Sources and Additions (Note 7)	626,657,872	806,703,290
Property Sales	115,177,508	122,108,087
Damage Awards	107,875,638	107,962,725
Gifts	93,632,186	67,512,420
Exempt Investment Income	75,230,590	(19,219,410)
Subtotal Exempt District Revenues	18,170,415,287	17,784,587,626
Nonexempt District Expenditures	13,076,456,536	13,251,437,256
District Reserve/Fund Balance Increase (Decrease)	(129,957,622)	76,373,948
Excess TABOR Revenues	(122,090,865)	(436,154,418)
Total Nonexempt District Revenues	12,824,408,049	12,891,656,786
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	\$ 6,789,791,186	\$ 6,674,746,577
Prior Period District Fund Balance Adjustments (Note 11)	44,247,600	(5,198,714)
(Qualification)/Disqualification of Enterprises (Note 14)	92,756,278	(116,373,425)
District Reserve/Fund Balance Increase (Decrease)	(129,957,622)	76,373,948
Retention of Revenues in Excess of the Limit CRS 24-77-103.6(1)(a)	(122,090,865)	(436,154,418)
Ending District Fund Balance	\$ 6,674,746,577	\$ 6,193,393,968
FISCAL YEAR 2016-17 COMPUTATION OF SPENDING LIMITATIONS		
	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2015-16 Limit	\$ 10,427,605,970	\$ 12,946,498,914
Prior Year Errors (Note 13)	29,906,915	-
Other Agency Revenues From Qualification of Enterprises (Note 14)	1,275,693	1,275,693
Qualification of Enterprises (Note 14)	(20,702,634)	(20,702,634)
FY 2015-16 Adjusted Limit	\$ 10,438,085,944	\$ 12,927,071,973
Allowable TABOR Growth Rate (Note 12)	3.1%	3.1%
FY 2016-17 Adjusted Limit	10,761,666,608	13,327,811,204
Less Fiscal Year 2015-16 Nonexempt District Revenues	(12,891,656,786)	(12,891,656,786)
Amount (Over)/Under Adjusted Limit FY 2016-17	\$ (2,129,990,178)	\$ 436,154,418
FY 2014-15 Remaining Amount in Excess of the Limit to be refunded in the next refund year		\$ 21,807,393
FY 2016-17 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)		\$ 2,129,990,178

NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

The purpose of the Schedule of Required Computations is to determine and document compliance with Title 24 Article 77 of the Colorado Revised Statutes, which is the implementing statute for Article X Section 20 of the State Constitution (TABOR). The report is required to include at a minimum State fiscal year spending, reserves, revenues, and debt. The schedule also includes a calculation of the limit on fiscal year spending, a calculation of the excess State revenues cap under Referendum C (See Note 9), and the amount required to be refunded or the amount of excess revenue retained by law, as well as all related adjustments.

TABOR has many provisions including a requirement for a vote of the people for new taxes or tax rate increases and a limit on the amount of fiscal year spending. Fiscal year spending is defined as District expenditures and reserve increases except those expended from exempt sources, such as gifts, federal funds, damage awards, property sales, reserves, and other items. This definition, while focused on spending is essentially a limitation on revenue retention because reserve increases are unspent revenues. Therefore, the terms fiscal year spending and nonexempt revenue are used interchangeably throughout these notes.

The limit on revenue retention is based on an allowable growth percentage (See Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2010-11, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (See Note 9).

NOTE 2. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 of the State Constitution (TABOR).

The accounting principles used by the State are more fully described in the State's Comprehensive Annual Financial Report available from the Office of the State Controller.

NOTE 3. DEFINITION OF THE DISTRICT

TABOR defines the District as "the State or any local government, excluding enterprises." It further defines an enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

A-139

The General Assembly, for the purpose of implementing TABOR, stated in C.R.S. 24-77-102(16)

(a) that "State" means the central civil government of the State of Colorado, which consists of the following:

- (I) the legislative, executive, and judicial branches of government established by Article III of the State Constitution;
- (II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and
- (III) State institutions of higher education.

(b) "State" does not include:

- (I) any enterprise [including an institution or group of institutions of higher education that has been designated as an enterprise];
- (II) any special purpose authority;
- (III) any organization declared to be a joint governmental entity.

The General Assembly has designated the following as enterprises excluded from the District:

- State Lottery,
- College Assist,
- CollegeInvest,
- Division of Parks and Wildlife,
- State Nursing Homes,
- Division of Correctional Industries,
- Petroleum Storage Tank Fund,
- State Fair Authority,
- Division of Brand Inspection,
- Clean Screen Authority,
- Capitol Parking Authority,
- Statewide Transportation Enterprise,
- Statewide Bridge Enterprise,
- Unemployment Insurance Enterprise,
- Electronic Recording Technology Fund.

It further established a statutory mechanism that allows the governing boards of institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. Senate Bill 189 enacted in the 2004 legislative session expanded the authority for each governing board of State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2004-05, and the remaining boards designated their institutions as enterprises in Fiscal Year 2005-06. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business

authorized to issue its own revenue bonds and to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified for Fiscal Year 2016-17.

NOTE 4. DEBT

Certificates of Participation, which are used by the State for long-term lease purchases, are not considered debt of the State for purposes of this report as provided by C.R.S. 24-30-202(5.5).

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that Transportation Revenue Anticipation Notes (TRANS) issued by the Colorado Department of Transportation do not constitute debt of the State as defined in Article XI Section 3 of the State Constitution. However, the Supreme Court ruled that the TRANS are a multiple-fiscal year obligation as defined by Article X Section 20 of the State Constitution, thus requiring an approving election before issuance.

NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of three percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for FY 2016-17 totals \$386,749,704. At June 30, 2017, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund – \$83,000,000. Only \$78,401,470 of this fund’s balance was restricted since, at June 30, 2017 its net assets were less than \$83 million. The assets restricted were net cash of \$66,645,034 and investments, excluding unrealized gains, of \$11,756,436.
- Wildlife Cash Fund – \$34,000,000.
- Perpetual base account of the Severance Tax Fund – \$33,000,000.
- Colorado Water Conservation Board Construction Fund – \$33,000,000.
- Controlled Maintenance Trust Fund – \$68,328,000. Only \$49,967,282 of this fund’s net assets were restricted, all of it cash, since at June 30, 2017 its net assets were less than \$68,328,000. During the fiscal year, \$20,125,000 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 - \$5,000,000.

The 2016 legislative session Long Appropriations Act designated up to \$142,272,000 of State properties as the remainder of the Fiscal Year 2016-17 emergency reserve.

The estimate of the needed reserve was based on the December 2016 revenue estimate prepared by 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 \$11,108,952 less than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event

of an emergency that exceeds the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 6. STATUS OF REFUNDING

When refunds are required they are distributed to individual State taxpayers based on a statutory mechanism as discussed in Note 16. The Department of Revenue makes distributions of the TABOR refund through the income tax refund process using estimates of the number of taxpayers expected to qualify for the TABOR refund. Because the exact number of qualifying taxpayers cannot be known in advance, the estimates may result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

As required by statute, under-distributions of refunds are carried forward to subsequent years and added to the required refund in the future year when revenue is over the spending limit. Over-distributions of refunds are also carried forward to subsequent years and are used to offset any future refund liability. The statute requires the over/under refund carry forward to be applied in the year following the year in which the refund is required to be made, which results in a two year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2016-17 the State had an outstanding TABOR refund liability of \$31,358,300. During the year \$9,204,688 was refunded to tax payers from the Fiscal Year 2014-15 liability, when revenue exceeded the spending limit. Also in Fiscal Year 2016-17, adjustments to 2014-15 revenue were identified that reduced the liability by another \$346,219. The resulting liability at June 30, 2017 was \$21,807,393, to be refunded in the next refund year.

NOTE 7. OTHER SOURCES AND ADDITIONS

The \$806.7 million reported in this line item primarily comprises: \$380.1 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; \$150.6 million of accounts payable reversions, reimbursements of prior year expense, revenue from in-kind match expenditures and other miscellaneous revenues; \$142.5 million of proceeds from issuing certificates of participation; \$113.5 million of permanent and trust fund additions; and \$17.6 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements.

NOTE 8. VOTER APPROVED REVENUE CHANGES

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, C.R.S. 25-8-501.1 – Regulation of Commercial Hog Facilities, which instituted a permit fee. The State collected \$59,142 and \$56,305 from this exempt source in Fiscal Years 2016-17 and 2015-16, respectively.

- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded \$1,425,668 and \$1,641,029 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2016-17 and 2015-16, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in \$542,028,380 and \$528,630,773 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2016-17 and 2015-16, respectively.
- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer’s list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded \$147,216,201 and \$148,097,981 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2016-17 and 2015-16, respectively.
- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (See Note 9).
- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected \$15,419,142 and \$15,275,218 of extended limited gaming revenue in Fiscal Year 2016-17 and 2015-16, respectively.
- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first \$40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

For the additional state sales tax, 15 percent of the revenues generated are allocated to the cities and counties that allow retail marijuana sales to consumers. The measure was silent as to the use of the revenue by cities and counties. In addition, the remaining amount of sales tax revenue generated is to be used for health, public safety, and education costs, in addition to funding the regulatory structure. The excise tax and additional sales tax revenue are exempted from the TABOR limitations.

The State recorded \$71,915,551 in state excise tax and \$98,343,634 of additional state sales tax revenues from these exempt sources in Fiscal Year 2016-17. In the prior fiscal year, the State recorded \$42,667,419 and \$67,336,023, respectively, from these two sources.

NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by the voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The term “ratchet down” is used to describe the TABOR provision that requires each year’s base for calculating the limit to be the lesser of the prior year’s revenues or the prior year’s limit.)
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.
- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.
- The State Controller’s annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained \$16,903,416,153 -- \$3,593,602,662 during the initial five-year revenue retention period, and an additional \$13,309,813,491 due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11 through 2016-17.

NOTE 10. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State’s Comprehensive Annual Financial Report at the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

NOTE 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS AND ACCOUNTING CHANGES

Total prior period District fund balance adjustments decreased the TABOR District fund balances in total by \$5,198,714.

- **PRIOR PERIOD ADJUSTMENTS** – The Department of Public Health and Environment decreased the district’s beginning net assets by \$5,198,714 by writing off prior year uncollectible accounts receivable directly to fund net position.
- **ACCOUNTING CHANGES** – In Fiscal Year 2016-17, there were no accounting changes affecting prior period TABOR District fund balances.

NOTE 12. SOURCES OF TABOR GROWTH LIMIT

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in C.R.S. 24-77-102(8) as “the percentage change in the consumer price index for the Denver-Boulder-Greeley Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor.”

The 3.1 percent allowable growth rate comprises a 1.9 percent increase for population growth (census date population for 2015 compared to census date population for 2014) and a 1.2 percent increase for inflation.

NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS

With the addition of the Excess State Revenue Cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit.

The Fiscal Year 2016-17 spending limit was adjusted upward by \$29,906,915 to correct an error in the June 30, 2016 Schedule of Computations. In that schedule, the Fiscal Year 2014-15 spending limit was reduced by \$28,646,470, after application of allowable growth rates, to adjust for prior year revenue recording errors going back to Fiscal Year 2011-12. Although prior year revenue recognition errors had occurred, the fiscal year spending limit had been lower than nonexempt revenue in each year between Fiscal Years 2011-12 and 2014-15. Therefore, the spending limit adjustment in the June 30, 2016 Schedule of Computations was unnecessary. The \$29,906,915 increase to the fiscal year spending

limit on the Fiscal Year 2016-17 Schedule of Computations is a reversal of the \$28,646,470 error plus the prior year growth rate of 4.4%.

Otherwise, in Fiscal Year 2016-17, there were no prior year revenue recognition errors impacting the fiscal year spending limit.

NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

In Fiscal Year 2016-17, Fort Lewis College re-qualified as a TABOR enterprise upon receiving less than ten percent of its revenues directly from the State and local governments. (See Note 3.) In the prior fiscal year, Fort Lewis had been nonexempt from TABOR spending limits.

To neutralize the effect of the change in enterprise status in computing both the Fiscal Year 2016-17 spending limit and the Excess State Revenues Cap, \$20,702,634 was deducted from the Fiscal Year 2015-16 spending limit and the Excess State Revenues Cap before application of the current year 3.1% allowable growth rate. This amount was Fort Lewis College's nonexempt District revenue from Fiscal Year 2015-16.

The fiscal year spending limit and the Excess State Revenues Cap were also adjusted by adding \$1,275,693 before application of the 3.1% growth rate. This is the amount that Fort Lewis College paid to non-TABOR enterprises in Fiscal Year 2015-16 that would have crossed the District boundary had Fort Lewis College been a TABOR enterprise in the prior year.

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section shows a decrease in fund balance of \$116,373,425 – an adjustment to the prior year District fund balance for the re-qualification of Fort Lewis College as a TABOR enterprise. The adjustment is necessary because the funds of TABOR enterprises are not included in the TABOR District. (See Note 3.)

NOTE 15. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

CRS 24-77-103.5 requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2016-17, \$346,219 related to an asset account was discovered as having been booked as revenue in Fiscal Year 2014-15, the most recent refund year. Had the amount been booked correctly, nonexempt revenue would have been \$346,219 less than originally reported. Therefore, the TABOR refund liability was reduced by this amount in the current year.

Fiscal Year 2014-15 excess revenue refundable to taxpayers at June 30, 2016 was \$31,358,300. After refunds of \$9,204,688 paid during Fiscal Year 2016-17 and the adjustment for \$346,219, the remaining refund payable at June 30, 2017 was \$21,807,393 (See Note 6.)

NOTE 16. FUTURE REFUNDS

In the 2010 legislative session, Senate Bill 212 removed all prior alternative mechanisms for refunding TABOR revenues in excess of the fiscal year spending limit except for the earned income tax credit refund mechanism. Also passed in the 2010 session, House Bill 1002 created a temporary income tax rate reduction, applicable beginning in Fiscal Year 2010-11, as an additional refunding mechanism.

On October 1, 2015, the Department of Revenue reported that after 2015 tax year, the Earned Income Tax Credit would become permanent and would no longer be a TABOR refund mechanism.

After application of a temporary income tax rate reduction from 4.63 percent to 4.50 percent and the earned income tax credit mechanism, any remaining amount is distributed to all full-year Colorado residents 18 years and older as a refund of sales taxes. When the refund is estimated to be under \$15 for each qualified taxpayer, an identical amount is refunded to each qualified taxpayer. When the sales tax refund is estimated to be over \$15 for each qualified taxpayer, a fixed amount is set for each of six tiers of federal adjusted gross income. The Department of Revenue calculates the amount of the individual refund for each tier as a statutory percentage of the total sales tax refund divided by the number of anticipated taxpayers in each tier.



A-144

Statistical Section



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 2,567,219	\$ 2,703,416	\$ 2,696,950	\$ 2,302,356
Investments	-	-	-	8,460
Taxes Receivable, net	1,325,689	1,251,185	1,252,907	1,224,629
Other Receivables, net	717,660	572,655	450,805	210,062
Due From Other Governments	524,240	440,053	787,269	570,721
Internal Balances	26,262	28,967	28,022	19,336
Due From Component Units	154	347	135	54
Inventories	54,152	53,261	54,194	53,125
Prepays, Advances and Deposits	72,047	67,468	67,917	73,025
Total Current Assets	5,287,423	5,117,352	5,338,199	4,461,768
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,493,996	1,923,920	2,140,729	2,554,938
Restricted Investments	867,572	732,662	761,140	657,772
Restricted Receivables	587,580	510,028	363,306	258,107
Investments	255,069	219,369	280,100	428,321
Other Long-Term Assets	614,932	675,809	636,260	686,349
Depreciable Capital Assets and Infrastructure, net	9,994,890	9,976,023	9,772,651	9,600,423
Land and Nondepreciable Capital Assets	2,041,812	1,851,910	1,968,227	1,931,832
Capital Assets Held as Investments	42,899	33,055	-	-
Total Noncurrent Assets	15,898,750	15,922,776	15,922,407	16,117,742
TOTAL ASSETS	21,186,173	21,040,128	21,260,606	20,579,510
DEFERRED OUTFLOW OF RESOURCES:	3,503,643	818,761	350,796	18,289
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	856,076	669,992	718,211
Accounts Payable and Accrued Liabilities	1,165,137	1,166,681	1,367,263	1,043,961
TABOR Refund Liability (Note 2B)	21,907	31,358	173,346	706
Due To Other Governments	395,627	232,724	233,087	245,300
Due To Component Units	-	-	-	15
Unearned Revenue	126,307	123,769	100,467	92,674
Accrued Compensated Absences	11,865	11,522	12,185	10,470
Claims and Judgments Payable	46,369	46,343	47,682	61,623
Leases Payable	28,254	28,261	27,760	26,941
Notes, Bonds, and COPs Payable	46,990	171,835	200,975	187,910
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	27,678	29,525	19,032	19,979
Total Current Liabilities	2,757,026	2,698,094	2,851,809	2,407,790
Noncurrent Liabilities:				
Deposits Held In Custody For Others	116	90	139	139
Accrued Compensated Absences	158,435	154,510	149,817	145,992
Claims and Judgments Payable	260,535	276,010	299,785	301,591
Capital Lease Payable	113,899	122,404	144,569	148,055
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,266,507	1,174,467	1,331,892	1,541,225
Due to Component Units	-	-	-	-
Net Pension Liability	10,919,603	6,295,004	5,565,526	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	407,912	415,669	423,809	402,954
Total Noncurrent Liabilities	13,127,007	8,438,154	7,915,537	2,539,956
TOTAL LIABILITIES	15,884,033	11,136,248	10,767,346	4,947,746
DEFERRED INFLOW OF RESOURCES:	98,746	133,375	47,262	338
Net investment in Capital Assets:	14,071,021	11,330,474	10,654,690	10,125,644
Restricted for:				
Construction and Highway Maintenance	915,033	966,743	936,535	1,080,201
Education	107,012	309,957	766,688	1,110,180
Unemployment Insurance	-	-	-	-
Debt Service	79,966	68,105	56,534	44,752
Emergencies	194,369	217,328	217,328	153,150
Permanent Funds and Endowments:				
Expendable	7,643	5,801	7,301	7,271
Nonexpendable	1,020,225	950,976	896,872	800,132
Other Purposes	671,306	717,185	626,649	358,694
Unrestricted	(8,359,538)	(3,977,303)	(3,365,803)	1,969,691
TOTAL NET POSITION	\$ 8,707,037	\$ 10,589,266	\$ 10,796,794	\$ 15,649,715

	GOVERNMENTAL ACTIVITIES					
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
ASSETS:						
Current Assets:						
Cash and Pooled Cash	\$ 2,549,620	\$ 1,969,331	\$ 1,548,435	\$ 1,962,934	\$ 2,217,711	\$ 2,632,601
Investments	3,497	1,726	35,948	15,224	1,498	565
Taxes Receivable, net	1,118,329	1,012,147	830,730	857,246	920,086	946,077
Other Receivables, net	189,937	156,126	147,768	158,060	182,540	188,347
Due From Other Governments	369,249	318,460	486,655	516,248	475,997	355,519
Internal Balances	23,801	15,964	18,620	14,153	14,617	14,545
Due From Component Units	119	137	62	84	66	63
Inventories	55,319	17,057	19,837	16,468	16,183	16,703
Prepays, Advances and Deposits	57,465	53,961	56,543	38,591	33,244	23,790
Total Current Assets	4,367,336	3,544,909	3,154,198	3,579,008	3,861,942	4,178,210
Noncurrent Assets:						
Restricted Assets:						
Restricted Cash and Pooled Cash	1,798,432	1,779,413	1,635,476	1,572,925	1,813,365	2,061,543
Restricted Investments	598,209	591,083	1,097,797	687,314	694,311	620,325
Restricted Receivables	176,055	181,932	173,347	195,753	184,120	187,018
Investments	464,535	416,674	52,343	529,059	98,815	96,743
Other Long-Term Assets	740,735	712,736	761,498	644,867	600,020	442,911
Depreciable Capital Assets and Infrastructure, net	9,312,959	9,602,516	9,331,295	9,689,916	2,360,036	2,282,645
Land and Nondepreciable Capital Assets	2,170,769	1,903,604	1,780,945	1,637,224	10,480,438	10,291,250
Capital Assets Held as Investments	-	-	-	-	-	-
Total Noncurrent Assets	15,261,694	15,187,958	14,832,701	14,957,058	16,231,105	15,982,435
TOTAL ASSETS	19,629,030	18,732,867	17,986,899	18,536,066	20,093,047	20,160,645
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-	-	-
LIABILITIES:						
Current Liabilities:						
Tax Refunds Payable	718,077	661,829	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	742,225	677,471	785,996	847,550	770,008	837,311
TABOR Refund Liability (Note 2B)	706	706	706	706	706	706
Due To Other Governments	198,953	228,229	216,956	181,684	223,415	183,696
Due To Component Units	81	-	-	-	-	-
Unearned Revenue	95,026	125,174	111,506	128,404	150,632	97,174
Accrued Compensated Absences	10,955	9,859	9,741	10,287	9,930	9,776
Claims and Judgments Payable	46,873	44,858	44,641	44,181	36,936	37,775
Leases Payable	20,004	14,387	12,872	11,384	8,227	6,002
Notes, Bonds, and COPs Payable	174,340	162,670	145,165	642,445	637,066	574,150
Other Postemployment Benefits	-	-	-	-	-	-
Other Current Liabilities	14,834	16,531	13,748	20,432	9,818	11,794
Total Current Liabilities	2,022,074	1,941,714	1,965,976	2,551,854	2,488,460	2,319,501
Noncurrent Liabilities:						
Deposits Held In Custody For Others	17	16	14	13	16	16
Accrued Compensated Absences	138,413	132,394	137,139	138,224	140,675	128,760
Claims and Judgments Payable	323,451	330,516	340,003	347,394	358,371	335,636
Capital Lease Payable	131,006	107,042	94,716	85,746	83,586	54,029
Capital Lease Payable To Component Units	-	-	-	-	-	-
Derivative Instrument Liability	-	-	-	-	-	-
Notes, Bonds, and COPs Payable	1,611,220	1,614,293	1,621,749	1,554,964	1,146,960	1,274,720
Due to Component Units	-	-	-	-	-	-
Net Pension Liability	-	-	-	-	-	-
Other Postemployment Benefits	-	-	-	-	-	-
Other Long-Term Liabilities	444,118	427,828	434,194	402,599	397,774	217,793
Total Noncurrent Liabilities	2,648,225	2,612,089	2,627,815	2,528,940	2,127,382	2,010,954
TOTAL LIABILITIES	4,670,299	4,553,803	4,593,791	5,080,794	4,615,842	4,330,455
DEFERRED INFLOW OF RESOURCES:	-	-	-	-	-	-
Net investment in Capital Assets:	10,107,082	10,107,432	9,836,378	10,118,621	11,631,061	11,348,995
Restricted for:						
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849	1,220,524	1,350,485
Education	1,265,476	280,269	485,171	194,586	338,365	353,149
Unemployment Insurance	-	-	-	-	-	-
Debt Service	33,113	21,453	10,127	4,093	558	558
Emergencies	161,350	72,850	85,400	94,000	93,550	93,000
Permanent Funds and Endowments:						
Expendable	6,328	6,024	8,017	11,130	8,588	2,333
Nonexpendable	694,564	684,953	641,802	643,148	623,619	587,733
Other Purposes	349,811	340,818	315,082	138,826	197,918	231,532
Unrestricted	1,195,010	1,488,996	850,342	1,052,019	1,363,022	1,862,405
TOTAL NET POSITION	\$ 14,958,731	\$ 14,179,064	\$ 13,393,108	\$ 13,455,272	\$ 15,477,205	\$ 15,830,190

A-146

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
BUSINESS-TYPE ACTIVITIES
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 2,846,015	\$ 2,525,453	\$ 2,454,684	\$ 2,246,115
Investments	549,079	392,188	378,115	254,744
Taxes Receivable, net	125,258	123,638	142,241	135,207
Other Receivables, net	490,427	640,664	408,306	408,364
Due From Other Governments	136,231	94,860	134,455	150,697
Internal Balances	(26,262)	(28,967)	(28,022)	(19,336)
Due From Component Units	23,041	18,188	11,370	23,716
Inventories	59,196	54,748	57,950	54,015
Prepays, Advances and Deposits	31,679	28,756	28,186	37,433
Total Current Assets	4,234,664	3,849,528	3,609,285	3,290,955
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	241,268	457,926	499,742	429,965
Restricted Investments	95,280	167,540	246,783	303,678
Restricted Receivables	38,605	40,009	31,609	45,477
Investments	2,097,484	1,941,040	1,969,155	1,896,811
Other Long-Term Assets	129,350	129,425	129,850	99,380
Depreciable Capital Assets and Infrastructure, net	7,502,858	7,050,226	6,190,355	5,876,698
Land and Nondepreciable Capital Assets	1,921,788	1,652,441	-	1,370,142
Capital Assets Held as Investments	-	-	-	-
Total Noncurrent Assets	12,026,633	11,438,607	10,856,089	10,022,151
TOTAL ASSETS	16,261,297	15,288,135	14,465,374	13,313,106
DEFERRED OUTFLOW OF RESOURCES:	2,332,443	649,853	348,635	118,103
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	786,944	771,248	751,169	659,085
TABOR Refund Liability (Note 2B)	-	-	-	-
Due To Other Governments	46,765	38,615	22,048	30,805
Due To Component Units	1,249	645	623	528
Unearned Revenue	328,261	306,222	407,108	346,264
Accrued Compensated Absences	25,381	22,761	20,960	18,117
Claims and Judgments Payable	-	-	-	-
Leases Payable	7,292	9,132	6,618	6,610
Notes, Bonds, and COPs Payable	146,604	267,134	251,947	244,366
Other Postemployment Benefits	134,584	139,765	125,054	127,033
Other Current Liabilities	-	-	-	-
Total Current Liabilities	1,477,080	1,555,522	1,587,527	1,446,884
Noncurrent Liabilities:				
Deposits Held In Custody For Others	20	20	-	-
Accrued Compensated Absences	317,070	293,365	268,600	250,148
Claims and Judgments Payable	37,361	39,657	41,460	40,982
Capital Lease Payable	42,599	47,994	45,663	35,582
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,251	13,222	9,515	8,566
Notes, Bonds, and COPs Payable	4,638,363	4,480,091	4,416,527	4,131,227
Due To Component Units	1,678	1,631	1,661	1,743
Net Pension Liability	6,934,505	3,957,073	3,579,748	-
Other Postemployment Benefits	343,570	289,133	241,779	181,511
Other Long-Term Liabilities	15,863	28,569	83,521	44,768
Total Noncurrent Liabilities	12,340,280	9,150,755	8,690,274	4,694,527
TOTAL LIABILITIES	13,817,360	10,706,277	10,277,801	6,141,411
DEFERRED INFLOW OF RESOURCES:	206,047	250,058	38,380	-
Net investment in Capital Assets:	6,982,288	5,051,345	4,417,947	3,653,265
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	504,096	462,636	439,535	642,611
Unemployment Insurance	911,183	740,049	620,575	402,770
Debt Service	28,429	85,617	75,666	39,862
Emergencies	34,000	34,000	34,000	34,000
Permanent Funds and Endowments:				
Expendable	165,637	157,611	150,270	7,901
Nonexpendable	91,878	83,274	87,679	64,712
Other Purposes	65,961	101,209	88,686	56,296
Unrestricted	(4,213,139)	(1,734,088)	(1,416,530)	2,388,381
TOTAL NET POSITION	\$ 4,570,333	\$ 4,981,653	\$ 4,497,828	\$ 7,289,798

BUSINESS-TYPE ACTIVITIES						
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
ASSETS:						
Current Assets:						
Cash and Pooled Cash	\$ 2,169,314	\$ 2,011,437	\$ 1,306,800	\$ 1,176,181	\$ 1,220,190	\$ 1,555,782
Investments	281,822	160,099	273,605	253,270	386,948	272,804
Taxes Receivable, net	137,970	159,303	186,161	90,005	73,326	82,431
Other Receivables, net	381,351	330,216	302,042	282,053	245,768	239,790
Due From Other Governments	155,190	218,667	177,822	158,787	142,961	125,894
Internal Balances	(23,801)	(15,964)	(18,620)	(14,153)	(14,617)	(14,545)
Due From Component Units	18,969	18,715	19,736	14,474	12,630	16,348
Inventories	52,826	53,318	43,600	42,778	42,467	42,271
Prepays, Advances and Deposits	24,806	24,160	18,018	19,244	20,091	17,055
Total Current Assets	3,198,447	2,959,951	2,309,164	2,022,640	2,129,764	2,337,830
Noncurrent Assets:						
Restricted Assets:						
Restricted Cash and Pooled Cash	352,234	372,457	409,652	353,164	368,308	446,681
Restricted Investments	292,283	293,711	98,146	239,719	201,025	259,115
Restricted Receivables	45,264	80,975	24,980	239,041	1,916,974	1,716,722
Investments	1,746,078	1,769,909	1,623,569	1,206,671	1,154,901	1,008,382
Other Long-Term Assets	128,105	114,118	122,939	119,387	123,599	119,650
Depreciable Capital Assets and Infrastructure, net	5,463,065	5,250,256	4,662,346	3,912,771	3,594,383	3,464,979
Land and Nondepreciable Capital Assets	1,229,761	1,019,556	938,544	1,207,048	928,243	576,755
Capital Assets Held as Investments	-	-	-	-	-	-
Total Noncurrent Assets	9,256,790	8,900,982	7,880,176	7,277,801	8,287,433	7,992,284
TOTAL ASSETS	12,455,237	11,860,933	10,189,340	9,300,441	10,417,197	9,930,114
DEFERRED OUTFLOW OF RESOURCES:	551	5,005	-	7,778	-	-
LIABILITIES:						
Current Liabilities:						
Tax Refunds Payable	-	-	-	-	-	-
Accounts Payable and Accrued Liabilities	602,571	623,458	556,294	596,926	506,318	467,741
TABOR Refund Liability (Note 2B)	-	-	-	-	-	-
Due To Other Governments	34,169	53,622	331,246	406,275	182,922	26,885
Due To Component Units	343	123	524	466	930	1,112
Unearned Revenue	305,108	237,530	234,662	232,371	207,551	190,528
Accrued Compensated Absences	16,609	14,942	14,579	13,035	12,753	12,745
Claims and Judgments Payable	-	-	-	-	-	7,398
Leases Payable	6,575	5,853	4,950	6,672	5,976	5,976
Notes, Bonds, and COPs Payable	233,811	243,601	79,106	100,329	85,456	75,567
Other Postemployment Benefits	17,052	15,721	-	126,232	241,129	208,542
Other Current Liabilities	142,868	110,667	141,484	126,232	241,129	208,542
Total Current Liabilities	1,359,106	1,305,517	1,362,845	1,482,306	1,243,341	996,494
Noncurrent Liabilities:						
Deposits Held In Custody For Others	-	-	-	-	-	-
Accrued Compensated Absences	236,329	219,026	205,621	196,295	185,420	166,402
Claims and Judgments Payable	38,993	36,472	35,373	29,461	27,541	28,482
Capital Lease Payable	35,153	33,185	43,466	76,702	83,206	83,113
Capital Lease Payable To Component Units	-	-	-	-	-	4,285
Derivative Instrument Liability	8,333	12,994	6,182	7,778	-	4,285
Notes, Bonds, and COPs Payable	3,898,265	3,938,320	3,117,100	2,682,987	3,917,559	3,466,484
Due To Component Units	1,755	1,758	2,374	2,501	723	1,233
Net Pension Liability	-	-	-	-	-	-
Other Postemployment Benefits	177,176	139,653	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	11,972	39,015	43,814	36,450	43,321	40,756
Total Noncurrent Liabilities	4,407,976	4,420,423	3,559,806	3,079,433	4,293,744	3,806,530
TOTAL LIABILITIES	5,767,082	5,725,940	4,922,651	4,561,739	5,537,085	4,803,024
DEFERRED INFLOW OF RESOURCES:	-	-	2,006	-	-	-
Net investment in Capital Assets:	3,571,408	3,386,411	2,990,094	2,854,803	2,665,270	2,411,662
Restricted for:						
Construction and Highway Maintenance	-	-	-	-	-	-
Education	504,096	462,636	439,535	642,611	-	-
Unemployment Insurance	911,183	740,049	620,575	402,770	-	-
Debt Service	28,429	85,617	75,666	39,862	392,984	765,533
Emergencies	34,000	34,000	34,000	34,000	111,778	180,409
Permanent Funds and Endowments:						
Expendable	165,637	157,611	150,270	7,901	6,825	9,582
Nonexpendable	91,878	83,274	87,679	64,712	70,420	74,479
Other Purposes	65,961	101,209	88,686	56,296	582,006	491,492
Unrestricted	(4,213,139)	(1,734,088)	(1,416,530)	2,388,381	1,159,867	1,160,207
TOTAL NET POSITION	\$ 6,688,706	\$ 6,139,998	\$ 5,264,684	\$ 4,746,480	\$ 4,880,112	\$ 5,127,090

A-147

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
TOTAL PRIMARY GOVERNMENT
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 5,413,234	\$ 5,228,869	\$ 5,151,634	\$ 4,548,471
Investments	549,079	392,188	378,115	263,204
Taxes Receivable, net	1,450,947	1,374,823	1,395,148	1,359,836
Other Receivables, net	1,208,087	1,213,319	881,111	618,426
Due From Other Governments	660,471	534,913	921,724	721,418
Internal Balances	-	-	-	-
Due From Component Units	23,195	18,535	11,505	23,770
Inventories	113,348	108,009	112,144	107,140
Prepays, Advances and Deposits	103,726	96,224	96,103	110,458
Total Current Assets	9,522,087	8,966,880	8,947,484	7,752,723
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,735,264	2,381,846	2,640,471	2,984,903
Restricted Investments	962,852	900,202	1,007,923	961,450
Restricted Receivables	626,185	550,037	394,909	303,584
Investments	2,352,553	2,160,409	2,249,255	2,325,132
Other Long-Term Assets	744,282	805,234	766,110	785,729
Depreciable Capital Assets and Infrastructure, net	17,497,748	17,026,249	15,963,006	15,477,121
Land and Nondepreciable Capital Assets	3,963,600	3,504,351	3,756,822	3,301,974
Capital Assets Held as Investments	42,899	33,055	-	-
Total Noncurrent Assets	27,925,383	27,361,383	26,778,496	26,139,892
TOTAL ASSETS	37,447,470	36,328,263	35,725,980	33,892,616
DEFERRED OUTFLOW OF RESOURCES:				
	5,836,086	1,468,614	699,431	136,392
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	886,992	856,076	669,992	718,211
Accounts Payable and Accrued Liabilities	1,952,081	1,937,929	2,118,434	1,703,046
TABOR Refund Liability (Note 2B)	21,807	31,358	173,346	706
Due To Other Governments	442,392	271,339	255,135	276,105
Due To Component Units	1,249	645	623	543
Unearned Revenue	454,568	429,991	507,575	438,938
Accrued Compensated Absences	37,246	34,283	33,145	28,587
Claims and Judgments Payable	46,369	46,343	47,682	61,623
Leases Payable	35,546	37,393	36,378	33,551
Notes, Bonds, and COPs Payable	193,594	438,969	452,922	432,276
Other Postemployment Benefits	162,262	169,290	144,106	147,012
Other Current Liabilities	-	-	-	-
Total Current Liabilities	4,234,106	4,253,616	4,439,338	3,854,674
Noncurrent Liabilities:				
Deposits Held In Custody For Others	136	110	139	139
Accrued Compensated Absences	475,505	447,875	418,417	396,140
Claims and Judgments Payable	297,896	315,667	341,245	342,573
Capital Lease Payable	156,498	170,398	190,232	183,637
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	9,251	13,222	9,515	8,566
Notes, Bonds, and COPs Payable	5,904,870	5,654,558	5,750,219	5,672,452
Due to Component Units	1,678	1,631	1,661	1,743
Net Pension Liability	17,854,108	10,252,077	9,145,274	-
Other Postemployment Benefits	343,570	289,133	241,779	181,511
Other Long-Term Liabilities	423,775	444,238	507,330	447,722
Total Noncurrent Liabilities	25,467,287	17,588,909	16,605,811	7,234,483
TOTAL LIABILITIES	29,701,393	21,842,525	21,045,149	11,089,157
DEFERRED INFLOW OF RESOURCES:				
	304,793	383,433	85,642	338
Net investment in Capital Assets:	21,053,309	16,381,819	15,072,637	13,778,909
Restricted for:				
Construction and Highway Maintenance	915,033	966,743	936,535	1,080,201
Education	611,108	772,593	1,206,223	1,752,791
Unemployment Insurance	911,183	740,049	620,575	402,770
Debt Service	108,395	153,722	132,200	84,614
Emergencies	228,369	251,328	251,328	187,150
Permanent Funds and Endowments:				
Expendable	173,280	163,412	157,571	15,172
Nonexpendable	1,112,103	1,034,250	984,551	864,844
Other Purposes	737,267	818,394	715,335	414,990
Unrestricted	(12,572,677)	(5,711,391)	(4,782,333)	4,358,072
TOTAL NET POSITION	\$ 13,277,370	\$ 15,570,919	\$ 15,294,622	\$ 22,939,513

TOTAL PRIMARY GOVERNMENT						
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
ASSETS:						
Current Assets:						
Cash and Pooled Cash	\$ 4,718,934	\$ 3,980,768	\$ 2,855,235	\$ 3,139,115	\$ 3,437,901	\$ 4,188,383
Investments	285,319	161,825	319,153	268,494	388,446	273,369
Taxes Receivable, net	1,256,299	1,171,450	1,016,891	947,251	993,412	1,028,508
Other Receivables, net	571,288	486,342	449,810	440,113	428,308	428,137
Due From Other Governments	524,439	537,127	664,477	675,035	618,958	481,413
Internal Balances	-	-	-	-	-	-
Due From Component Units	19,088	18,852	19,798	14,558	12,696	16,411
Inventories	108,145	70,375	63,437	59,247	58,650	58,974
Prepays, Advances and Deposits	82,271	78,121	74,561	57,835	53,335	40,845
Total Current Assets	7,565,783	6,504,860	5,463,362	5,601,648	5,991,706	6,516,040
Noncurrent Assets:						
Restricted Assets:						
Restricted Cash and Pooled Cash	2,150,666	2,151,870	2,045,128	1,926,089	2,181,673	2,508,224
Restricted Investments	890,492	884,794	1,195,943	927,033	895,336	879,440
Restricted Receivables	221,319	262,907	198,337	434,794	2,101,094	1,903,740
Investments	2,210,613	2,186,583	1,675,912	1,735,730	1,253,716	1,105,125
Other Long-Term Assets	868,840	826,854	884,437	764,254	723,619	562,561
Depreciable Capital Assets and Infrastructure, net	14,776,024	14,852,772	13,993,641	13,602,687	5,954,419	5,747,624
Land and Nondepreciable Capital Assets	3,400,530	2,923,160	2,719,489	2,844,272	11,408,681	10,868,005
Capital Assets Held as Investments	-	-	-	-	-	-
Total Noncurrent Assets	24,518,484	24,088,940	22,712,877	22,234,859	24,518,538	23,574,719
TOTAL ASSETS	32,084,267	30,593,800	28,176,239	27,836,507	30,510,244	30,090,759
DEFERRED OUTFLOW OF RESOURCES:						
	551	5,005	-	7,778	-	-
LIABILITIES:						
Current Liabilities:						
Tax Refunds Payable	718,077	661,829	625,145	664,781	633,722	561,117
Accounts Payable and Accrued Liabilities	1,344,796	1,300,929	1,341,790	1,444,476	1,285,326	1,305,052
TABOR Refund Liability (Note 2B)	706	706	706	706	706	706
Due To Other Governments	233,122	281,851	548,202	587,959	406,337	210,581
Due To Component Units	424	123	524	466	930	1,112
Unearned Revenue	400,134	362,704	346,168	360,775	358,183	287,702
Accrued Compensated Absences	27,564	24,801	24,320	23,322	21,683	22,521
Claims and Judgments Payable	46,873	44,858	44,641	44,181	36,936	45,173
Leases Payable	26,579	20,240	17,822	14,509	18,056	11,978
Notes, Bonds, and COPs Payable	408,151	406,271	224,271	742,774	722,522	649,717
Other Postemployment Benefits	17,052	15,721	-	146,664	-	-
Other Current Liabilities	157,702	127,198	155,232	146,664	250,947	220,336
Total Current Liabilities	3,381,180	3,247,231	3,328,821	4,034,160	3,731,801	3,315,995
Noncurrent Liabilities:						
Deposits Held In Custody For Others	17	16	14	13	16	16
Accrued Compensated Absences	374,742	351,420	342,760	334,519	326,095	295,162
Claims and Judgments Payable	362,444	366,988	375,376	376,855	385,912	364,118
Capital Lease Payable	166,159	140,227	138,182	162,448	166,792	137,142
Capital Lease Payable To Component Units	-	-	-	-	4,285	4,285
Derivative Instrument Liability	8,333	12,994	6,182	7,778	-	-
Notes, Bonds, and COPs Payable	5,509,485	5,552,613	4,738,849	4,237,951	5,064,519	4,741,204
Due to Component Units	1,755	1,758	2,374	2,501	723	1,233
Net Pension Liability	-	-	-	-	-	-
Other Postemployment Benefits	177,176	139,653	105,876	47,259	31,689	15,775
Other Long-Term Liabilities	456,090	466,843	478,008	439,049	441,095	258,549
Total Noncurrent Liabilities	7,056,201	7,032,512	6,187,621	5,608,373	6,421,126	5,817,484
TOTAL LIABILITIES	10,437,381	10,279,743	9,516,442	9,642,533	10,152,927	9,133,479
DEFERRED INFLOW OF RESOURCES:						
	-	-	2,006	-	-	-
Net investment in Capital Assets:	13,678,490	13,493,843	12,826,472	12,973,424	14,296,331	13,760,657
Restricted for:						
Construction and Highway Maintenance	1,145,997	1,176,269	1,160,789	1,198,849	1,220,524	1,350,485
Education	1,265,476	280,269	485,171	194,586	338,365	353,149
Unemployment Insurance	218,076	64,433	-	-	392,984	765,533
Debt Service	41,552	28,917	16,880	10,193	112,336	180,967
Emergencies	195,500	82,855	97,768	110,257	114,832	126,716
Permanent Funds and Endowments:						
Expendable	18,044	12,999	13,953	17,955	15,523	11,925
Nonexpendable	755,723	723,751	715,758	714,886	694,039	662,212
Other Purposes	981,732	970,473	972,374	769,716	779,924	723,024
Unrestricted	3,346,997	3,485,253	2,368,626	2,211,886	2,392,459	3,022,612
TOTAL NET POSITION	\$ 21,647,437	\$ 20,319,062	\$ 18,657,791	\$ 18,201,752	\$ 20,357,317	\$ 20,957,280

A-148

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	\$ 541,936	\$ 518,820	\$ 501,319	\$ 472,215
Service Fees	1,006,976	1,139,226	879,139	901,839
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	206,662	195,256	201,021	181,098
Rents and Royalties	132,310	142,752	199,067	182,893
Sales of Products	3,205	3,303	3,390	2,141
Unemployment Surcharge	32,507	30,768	29,381	28,635
Other	138,928	143,251	131,151	144,949
Operating Grants and Contributions	8,149,334	8,578,146	7,726,668	6,782,914
Capital Grants and Contributions	814,739	819,321	817,469	728,544
TOTAL PROGRAM REVENUES	11,026,597	11,570,843	10,488,605	9,425,228
EXPENSES:				
General Government	653,247	485,611	449,261	447,359
Business, Community, and Consumer Affairs	919,676	777,458	711,558	641,182
Education	6,045,204	5,859,964	5,687,573	5,472,563
Health and Rehabilitation	1,170,889	2,898,841	822,556	720,997
Justice	2,974,666	2,209,158	2,075,534	1,840,989
Natural Resources	169,528	135,491	120,374	92,383
Social Assistance	10,489,419	8,825,599	9,627,104	8,089,560
Transportation	2,105,462	1,830,368	1,896,904	1,872,441
Interest on Debt	58,764	62,021	59,078	53,094
Higher Education	-	-	-	-
Unemployment Insurance	-	-	-	-
CollegeInvest	-	-	-	-
Lottery	-	-	-	-
Parks and Wildlife	-	-	-	-
College Assist	-	-	-	-
Other Business-Type Activities	-	-	-	-
TOTAL EXPENSES	24,586,855	23,084,511	21,449,942	19,230,568
NET (EXPENSE) REVENUE	(13,560,258)	(11,513,668)	(10,961,337)	(9,805,340)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	3,151,679	2,940,839	2,762,222	2,754,977
Excise Taxes	321,419	290,276	267,858	236,761
Individual Income Tax	6,291,376	6,061,679	5,847,141	5,285,634
Corporate Income Tax	432,802	643,761	613,316	600,002
Other Taxes	452,042	410,277	673,275	617,612
Restricted Taxes	1,169,457	1,132,687	1,186,515	1,052,692
Unrestricted Investment Earnings (Losses)	16,987	15,705	11,992	17,312
Other General Revenues	103,476	107,005	96,613	112,958
Special and/or Extraordinary Items (Transfers-Out) / Transfers-In	(353,647)	(352,733)	(256,738)	(172,442)
Internal Capital Contributions	-	(1,583)	-	-
Permanent Fund Additions	766	80	401	397
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,586,357	11,247,993	11,202,595	10,505,903
TOTAL CHANGES IN NET POSITION	(1,973,901)	(265,675)	241,258	700,563
NET POSITION - BEGINNING	10,589,266	10,796,794	15,649,715	14,958,731
Prior Period Adjustment	91,672	58,147	(6,626)	1,718
Accounting Changes	-	-	(5,087,553)	(11,297)
NET POSITION - ENDING	\$ 8,707,037	\$ 10,589,266	\$ 10,796,794	\$ 15,649,715

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

GOVERNMENTAL ACTIVITIES

	2012-13	2011-12	2010-11	2009-10	2008-09	RESTATED 2007-08
PROGRAM REVENUES:						
Licenses and Permits	\$ 447,232	\$ 442,793	\$ 454,633	\$ 419,866	\$ 386,311	\$ 374,521
Service Fees	965,614	901,950	735,820	589,795	184,327	132,822
Education - Tuition, Fees, and Sales	-	-	-	-	53	-
Fines and Forfeits	248,520	187,344	200,432	218,892	203,259	155,692
Rents and Royalties	133,901	147,946	128,588	79,518	85,811	78,889
Sales of Products	2,851	1,626	4,974	3,854	5,040	4,592
Unemployment Surcharge	25,724	19,307	18,611	19,329	19,369	21,512
Other	127,083	84,828	89,509	67,460	61,168	57,622
Operating Grants and Contributions	5,860,052	5,884,031	6,218,836	5,885,657	5,065,429	4,222,670
Capital Grants and Contributions	700,548	600,300	659,288	607,383	485,711	439,693
TOTAL PROGRAM REVENUES	8,511,525	8,270,125	8,510,691	7,891,754	6,496,478	5,488,013
EXPENSES:						
General Government	555,507	224,382	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854	705,037	667,381
Education	5,187,481	5,205,123	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	697,795	703,684	696,539	659,187	644,699	603,296
Justice	1,655,057	1,555,294	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	77,934	93,900	149,878	144,445	137,159	131,658
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,769,013	1,777,488	1,974,009	2,105,688	1,376,215	1,459,295
Interest on Debt	16,284	40,935	32,487	33,203	20,393	37,567
Higher Education	-	-	-	-	-	-
Unemployment Insurance	-	-	-	-	-	-
CollegeInvest	-	-	-	-	-	-
Lottery	-	-	-	-	-	-
Parks and Wildlife	-	-	-	-	-	-
College Assist	-	-	-	-	-	-
Other Business-Type Activities	-	-	-	-	-	-
TOTAL EXPENSES	17,718,082	16,947,448	17,081,353	16,511,089	15,164,223	14,230,983
NET (EXPENSE) REVENUE	(9,206,557)	(8,677,323)	(8,570,662)	(8,619,335)	(8,667,745)	(8,742,970)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:						
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	240,895	244,624	236,945	244,344	251,209	257,908
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	606,883	434,885	441,778	360,852	322,683	461,390
Other Taxes	453,305	519,870	466,408	376,388	655,478	510,442
Restricted Taxes	1,039,105	965,784	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215	22,591	42,478
Other General Revenues	97,402	96,213	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (Transfers-Out) / Transfers-In	(128,535)	(135,407)	(110,266)	(94,993)	(114,685)	(77,732)
Internal Capital Contributions	-	-	-	-	-	-
Permanent Fund Additions	741	595	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	9,979,268	9,128,328	8,493,528	7,640,761	8,249,251	9,236,808
TOTAL CHANGES IN NET POSITION	772,711	451,005	(77,134)	(978,574)	(418,494)	493,838
NET POSITION - BEGINNING	14,179,064	13,393,108	13,455,272	15,477,205	15,830,190	16,036,990
Prior Period Adjustment	6,958	334,951	14,970	(594,624)	(118,647)	(393,912)
Accounting Changes	-	-	0	(448,735)	184,156	(306,726)
NET POSITION - ENDING	\$ 14,958,731	\$ 14,179,064	\$ 13,393,108	\$ 13,455,272	\$ 15,477,205	\$ 15,830,190

A-149

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	\$ 165,182	\$ 159,704	\$ 157,971	\$ 141,770
Service Fees	1,404,677	1,297,576	1,145,897	1,068,966
Education - Tuition, Fees, and Sales	3,239,887	3,005,967	2,881,240	2,672,136
Fines and Forfeits	5,769	4,101	3,968	15,470
Rents and Royalties	45,177	40,077	41,944	39,675
Sales of Products	622,179	661,084	605,101	607,744
Unemployment Surcharge	646,336	603,708	698,609	736,985
Other	188,112	165,237	155,707	154,424
Operating Grants and Contributions	2,556,915	2,449,163	2,281,931	2,569,038
Capital Grants and Contributions	43,873	42,996	78,304	56,899
TOTAL PROGRAM REVENUES	8,918,107	8,429,613	8,050,672	8,063,107
EXPENSES:				
General Government	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-
Education	-	-	-	-
Health and Rehabilitation	-	-	-	-
Justice	-	-	-	-
Natural Resources	-	-	-	-
Social Assistance	-	-	-	-
Transportation	-	-	-	-
Interest on Debt	-	-	-	-
Higher Education	7,829,889	6,446,902	6,004,484	5,618,507
Unemployment Insurance	518,891	531,607	530,130	756,484
CollegeInvest ¹	-	-	-	-
Lottery	494,110	517,847	474,578	477,434
Parks and Wildlife ²	257,959	203,794	191,426	170,898
College Assist	315,478	320,774	338,631	341,684
Other Business-Type Activities	219,844	282,471	217,838	209,871
TOTAL EXPENSES	9,636,171	8,303,395	7,757,087	7,574,878
NET (EXPENSE) REVENUE	(718,064)	126,218	293,585	488,229
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	(808)	-	-	(22,186)
(Transfers-Out) / Transfers-In	353,647	352,733	256,738	172,442
Internal Capital Contributions	-	10,183	-	-
Permanent Fund Additions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	352,839	362,916	256,745	150,256
TOTAL CHANGES IN NET POSITION	(365,225)	489,134	550,330	638,485
NET POSITION - BEGINNING	4,981,653	4,497,828	7,289,798	6,688,706
Prior Period Adjustment	545	(5,309)	-	(6,922)
Accounting Changes	(46,640)	-	(3,342,300)	(30,471)
NET POSITION - ENDING	\$ 4,570,333	\$ 4,981,653	\$ 4,497,828	\$ 7,289,798

BUSINESS-TYPE ACTIVITIES

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
PROGRAM REVENUES:						
Licenses and Permits	\$ 133,315	\$ 131,496	\$ 120,910	\$ 106,946	\$ 119,611	\$ 84,395
Service Fees	958,451	865,326	874,990	607,485	681,807	667,504
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358	1,957,505	1,867,806
Fines and Forfeits	12,860	9,561	1,945	2,836	1,118	999
Rents and Royalties	47,881	65,236	29,507	24,648	29,908	32,399
Sales of Products	636,115	624,407	592,794	590,758	560,364	579,935
Unemployment Surcharge	725,854	828,530	791,317	491,716	363,241	398,046
Other	159,162	152,448	153,321	167,930	173,354	165,804
Operating Grants and Contributions	2,730,519	3,165,718	3,689,492	3,957,310	2,214,186	1,728,669
Capital Grants and Contributions	96,655	132,067	25,432	24,619	20,220	9,426
TOTAL PROGRAM REVENUES	8,012,838	8,381,485	8,523,083	7,973,606	6,121,314	5,534,983
EXPENSES:						
General Government	-	-	-	-	-	-
Business, Community, and Consumer Affairs	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health and Rehabilitation	-	-	-	-	-	-
Justice	-	-	-	-	-	-
Natural Resources	-	-	-	-	-	-
Social Assistance	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Interest on Debt	-	-	-	-	-	-
Higher Education	5,258,665	5,068,481	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest	-	-	-	68,650	78,647	116,286
Lottery	501,010	495,847	470,480	456,352	435,156	447,101
Parks and Wildlife	177,497	160,933	108,425	105,037	112,369	109,800
College Assist	407,229	403,023	402,648	410,027	399,576	326,080
Other Business-Type Activities	187,265	196,542	191,123	170,410	171,635	173,928
TOTAL EXPENSES	7,586,814	7,896,147	8,069,789	8,158,205	6,489,286	5,393,406
NET (EXPENSE) REVENUE	426,024	485,338	453,294	(184,599)	(367,972)	141,577
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:						
Sales and Use Taxes	-	-	-	-	-	-
Excise Taxes	-	-	-	-	-	-
Individual Income Tax	-	-	-	-	-	-
Corporate Income Tax	-	-	-	-	-	-
Other Taxes	-	-	-	-	-	36,963
Restricted Taxes	-	-	-	-	-	-
Unrestricted Investment Earnings (Losses)	-	-	-	-	-	-
Other General Revenues	-	-	-	-	-	-
Special and/or Extraordinary Items	-	-	1,493	(79,575)	-	-
(Transfers-Out) / Transfers-In	128,535	135,407	110,266	94,993	114,685	77,732
Internal Capital Contributions	-	-	-	-	-	-
Permanent Fund Additions	-	-	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	128,535	135,407	111,759	15,418	114,685	114,695
TOTAL CHANGES IN NET POSITION	554,559	620,745	565,053	(169,181)	(253,287)	256,272
NET POSITION - BEGINNING	6,139,998	5,264,683	4,746,480	4,880,112	5,127,090	4,870,818
Prior Period Adjustment	(5,851)	254,570	(46,850)	35,549	6,309	-
Accounting Changes	-	-	-	-	-	-
NET POSITION - ENDING	\$ 6,688,706	\$ 6,139,998	\$ 5,264,683	\$ 4,746,480	\$ 4,880,112	\$ 5,127,090

A-150

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
TOTAL PRIMARY GOVERNMENT
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2016-17	2015-16	2014-15	2013-14
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	\$ 707,118	\$ 678,524	\$ 659,290	\$ 613,985
Service Fees	2,411,653	2,436,802	2,025,036	1,970,805
Education - Tuition, Fees, and Sales	3,239,887	3,005,967	2,881,240	2,672,136
Fines and Forfeits	212,431	199,357	204,989	196,568
Rents and Royalties	177,487	182,829	241,011	222,568
Sales of Products	625,384	664,387	608,491	609,885
Unemployment Surcharge	678,843	634,476	727,990	765,620
Other	327,040	308,488	286,858	299,373
Operating Grants and Contributions	10,706,249	11,027,309	10,008,599	9,351,952
Capital Grants and Contributions	858,612	862,317	895,773	785,443
TOTAL PROGRAM REVENUES	19,944,704	20,000,456	18,539,277	17,488,335
EXPENSES:				
General Government	653,247	485,611	449,261	447,359
Business, Community, and Consumer Affairs	919,676	777,458	711,558	641,182
Education	6,045,204	5,859,964	5,687,573	5,472,563
Health and Rehabilitation	1,170,889	2,898,841	822,556	720,997
Justice	2,974,666	2,209,158	2,075,534	1,840,989
Natural Resources	169,528	135,491	120,374	92,383
Social Assistance	10,489,419	8,825,599	9,627,104	8,089,560
Transportation	2,105,462	1,830,368	1,896,904	1,872,441
Interest on Debt	58,764	62,021	59,078	53,094
Higher Education	7,829,889	6,446,902	6,004,484	5,618,507
Unemployment Insurance	518,891	531,607	530,130	756,484
CollegeInvest ¹	-	-	-	-
Lottery	494,110	517,847	474,578	477,434
Parks and Wildlife ²	257,959	203,794	191,426	170,898
College Assist	315,478	320,774	338,631	341,684
Other Business-Type Activities	219,844	282,471	217,838	209,871
TOTAL EXPENSES	34,223,026	31,387,906	29,207,029	26,805,446
NET (EXPENSE) REVENUE	(14,278,322)	(11,387,450)	(10,667,752)	(9,317,111)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	3,151,679	2,940,839	2,762,222	2,754,977
Excise Taxes	321,419	290,276	267,858	236,761
Individual Income Tax	6,291,376	6,061,679	5,847,141	5,285,634
Corporate Income Tax	432,802	643,761	613,316	600,002
Other Taxes	452,042	410,277	673,282	617,612
Restricted Taxes	1,169,457	1,132,687	1,186,515	1,052,692
Unrestricted Investment Earnings (Losses)	16,987	15,705	11,992	17,312
Other General Revenues	103,476	107,005	96,613	112,958
Special and/or Extraordinary Items (Transfers-Out) / Transfers-In	(808)	-	-	(22,186)
Internal Capital Contributions	-	8,600	-	-
Permanent Fund Additions	766	80	401	397
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	11,939,196	11,610,909	11,459,340	10,656,159
TOTAL CHANGES IN NET POSITION	(2,339,126)	223,459	791,588	1,339,048
NET POSITION - BEGINNING	15,570,919	15,294,622	22,939,513	21,647,437
Prior Period Adjustment	92,217	52,838	(6,626)	(5,204)
Accounting Changes	(46,640)	-	(8,429,853)	(41,768)
NET POSITION - ENDING	\$ 13,277,370	\$ 15,570,919	\$ 15,294,622	\$ 22,939,513

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOTAL PRIMARY GOVERNMENT

	2012-13	2011-12	2010-11	2009-10	2008-09	RESTATE 2007-08
PROGRAM REVENUES:						
Charges for Services:						
Licenses and Permits	\$ 580,547	\$ 574,289	\$ 575,543	\$ 526,812	\$ 505,922	\$ 458,916
Service Fees	1,924,065	1,767,276	1,610,810	1,197,280	866,134	800,326
Education - Tuition, Fees, and Sales	2,512,026	2,406,696	2,243,375	1,999,358	1,957,558	1,867,806
Fines and Forfeits	261,380	196,905	202,377	221,728	204,377	156,691
Rents and Royalties	181,782	213,182	158,095	104,166	115,719	111,288
Sales of Products	638,966	626,033	597,768	594,612	565,404	584,527
Unemployment Surcharge	751,578	847,837	809,928	511,045	382,610	419,558
Other	286,245	237,276	242,830	235,390	234,522	223,426
Operating Grants and Contributions	8,590,571	9,049,749	9,908,328	9,842,967	7,279,615	5,951,339
Capital Grants and Contributions	797,203	732,367	684,720	632,002	505,931	449,119
TOTAL PROGRAM REVENUES	16,524,363	16,651,610	17,033,774	15,865,360	12,617,792	11,022,996
EXPENSES:						
General Government	555,507	224,382	192,579	189,865	308,410	217,939
Business, Community, and Consumer Affairs	584,300	600,068	667,929	662,854	705,037	667,381
Education	5,187,481	5,205,123	5,432,143	5,096,032	5,208,705	5,017,551
Health and Rehabilitation	697,795	703,684	696,539	659,187	644,699	603,296
Justice	1,655,057	1,535,294	1,538,363	1,527,857	1,543,310	1,436,009
Natural Resources	77,934	93,900	149,878	144,445	137,159	131,658
Social Assistance	7,174,711	6,746,574	6,397,426	6,091,958	5,220,295	4,660,287
Transportation	1,769,013	1,777,488	1,974,009	2,105,688	1,376,215	1,459,295
Interest on Debt	16,284	40,935	32,487	33,203	20,393	37,567
Higher Education	5,258,665	5,068,481	4,755,385	4,451,541	4,153,282	3,865,244
Unemployment Insurance	1,055,148	1,571,321	2,141,728	2,496,188	1,138,621	354,967
CollegeInvest ¹	-	-	-	68,650	78,647	116,286
Lottery	501,010	495,847	470,480	456,352	435,156	447,101
Parks and Wildlife ²	177,497	160,933	108,425	105,037	112,369	109,800
College Assist	407,229	403,023	402,648	410,027	399,576	326,080
Other Business-Type Activities	187,265	196,542	191,123	170,410	171,635	173,928
TOTAL EXPENSES	25,304,896	24,843,595	25,151,142	24,669,294	21,653,509	19,624,389
NET (EXPENSE) REVENUE	(8,780,533)	(8,191,985)	(8,117,368)	(8,803,934)	(9,035,717)	(8,601,393)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:						
Sales and Use Taxes	2,498,006	2,333,644	2,280,693	1,987,576	2,093,113	2,357,807
Excise Taxes	240,895	244,624	236,945	244,344	251,209	257,908
Individual Income Tax	5,154,624	4,653,105	4,151,119	3,770,597	4,024,105	4,591,481
Corporate Income Tax	606,883	434,885	441,778	360,852	322,683	461,390
Other Taxes	453,305	519,870	466,400	376,388	655,478	547,405
Restricted Taxes	1,039,105	965,784	928,260	873,287	880,625	986,274
Unrestricted Investment Earnings (Losses)	16,842	15,015	6,523	10,215	22,591	42,478
Other General Revenues	97,402	96,213	91,608	112,138	119,748	113,603
Special and/or Extraordinary Items (Transfers-Out) / Transfers-In	-	0	1,493	(79,575)	(5,616)	(6,843)
Internal Capital Contributions	-	-	-	-	-	-
Permanent Fund Additions	741	595	460	357	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	10,107,803	9,263,735	8,605,287	7,656,179	8,363,936	9,351,503
TOTAL CHANGES IN NET POSITION	1,327,270	1,071,750	487,919	(1,147,755)	(671,781)	750,110
NET POSITION - BEGINNING	20,319,062	18,657,791	18,201,752	20,357,317	20,957,280	20,907,808
Prior Period Adjustment	1,105	589,521	(31,880)	(559,075)	(112,338)	(393,912)
Accounting Changes	-	-	0	(448,735)	184,156	(306,726)
NET POSITION - ENDING	\$ 21,647,437	\$ 20,319,062	\$ 18,657,791	\$ 18,201,752	\$ 20,357,317	\$ 20,957,280

A-151

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	2016-17	2015-16	2014-15	2013-14
REVENUES:				
Taxes	\$ 11,835	\$ 11,471	\$ 11,205	\$ 10,596
Less: Excess TABOR Revenues	-	-	170	-
Licenses, Permits, and Fines	838	810	801	758
Charges for Goods and Services	1,012	1,144	885	905
Rents (reported in 'Other' prior to FY05)	132	143	199	183
Investment Income	46	139	99	115
Federal Grants and Contracts	8,685	9,047	8,283	7,183
Unclaimed Property Receipts	64	65	61	53
Other	338	321	329	365
TOTAL REVENUES	22,950	23,140	22,032	20,158
EXPENDITURES:				
Current:				
General Government	344	324	305	331
Business, Community and Consumer Affairs	453	474	469	395
Education	869	852	785	730
Health and Rehabilitation	770	1,784	699	658
Justice	1,705	1,741	1,648	1,605
Natural Resources	113	107	103	107
Social Assistance	9,358	8,726	8,627	7,416
Transportation	1,364	1,331	1,282	1,203
Capital Outlay	189	191	325	298
Intergovernmental:				
Cities	491	425	421	412
Counties	1,740	1,656	1,627	1,573
School Districts	5,122	4,995	4,909	4,475
Other	255	227	205	202
Debt Service ¹	239	280	270	261
TOTAL EXPENDITURES	23,012	23,113	21,675	19,666
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62)	27	357	492
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,851	4,915	4,535	5,405
Transfers-Out:				
Higher Education	(230)	(181)	(181)	(143)
Other	(5,966)	(5,079)	(4,607)	(5,390)
Face Amount of Debt Issued	129	11	-	97
Bond Premium/Discount	14	-	-	6
Capital Lease Debt Issuance	1	-	-	25
Sale of Capital Assets	15	7	3	27
Insurance Recoveries	8	5	13	2
Debt Refunding Issuance	-	-	-	112
Debt Refunding Premium Proceeds	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(178)	(322)	(237)	141
NET CHANGE IN FUND BALANCE	(240)	(295)	120	633
FUND BALANCE - BEGINNING	6,609	6,847	6,734	6,100
Prior Period Adjustments	(5)	58	(7)	-
Accounting Changes	-	-	-	1
FUND BALANCE - ENDING	\$ 6,364	\$ 6,609	\$ 6,847	\$ 6,734

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	2012-13	RESTATED 2011-12	RESTATED 2010-11 ³	RESTATED 2009-10	2008-09 ²	2007-08
REVENUES:						
Taxes	\$ 10,018	\$ 9,182	\$ 8,430	\$ 7,640	\$ 8,231	\$ 9,203
Less: Excess TABOR Revenues	-	-	-	-	-	-
Licenses, Permits, and Fines	789	724	745	734	701	643
Charges for Goods and Services	970	892	730	552	150	104
Rents (reported in 'Other' prior to FY05)	134	148	129	80	86	79
Investment Income	19	120	97	199	258	316
Federal Grants and Contracts	6,428	6,223	6,917	7,023	5,480	4,308
Unclaimed Property Receipts	37	43	40	42	58	-
Other	263	254	221	192	195	179
TOTAL REVENUES	18,658	17,586	17,309	16,462	15,159	14,832
EXPENDITURES:						
Current:						
General Government	325	359	560	775	511	123
Business, Community and Consumer Affairs	375	363	388	369	332	311
Education	661	661	778	855	879	802
Health and Rehabilitation	641	626	592	583	608	561
Justice	1,422	1,322	1,314	1,315	1,285	1,195
Natural Resources	99	90	132	126	121	112
Social Assistance	6,488	6,065	5,655	4,454	3,836	3,669
Transportation	1,065	982	1,064	1,017	1,074	1,055
Capital Outlay	299	459	329	240	308	243
Intergovernmental:						
Cities	297	287	300	281	294	289
Counties	1,504	1,371	1,478	2,253	2,043	1,799
School Districts	4,235	4,199	4,303	4,364	4,143	3,814
Other	323	177	185	219	185	258
Debt Service ¹	247	236	208	194	189	208
TOTAL EXPENDITURES	17,994	17,197	17,286	17,045	15,808	14,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	664	389	23	(583)	(649)	393
OTHER FINANCING SOURCES (USES)						
Transfers-In	5,750	4,622	4,776	5,333	5,179	4,298
Transfers-Out:						
Higher Education	(135)	(133)	(135)	(125)	(135)	(131)
Other	(5,728)	(4,612)	(4,731)	(5,264)	(5,148)	(4,237)
Face Amount of Debt Issued	196	156	218	559	-	-
Bond Premium/Discount	9	13	-	8	-	-
Capital Lease Debt Issuance	1	17	17	-	11	18
Sale of Capital Assets	31	14	-	-	-	1
Insurance Recoveries	8	5	2	4	2	2
Debt Refunding Issuance	31	126	-	-	-	-
Debt Refunding Premium Proceeds	-	19	-	-	-	-
Debt Refunding Payments	(31)	(144)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	125	84	147	515	(91)	(49)
NET CHANGE IN FUND BALANCE	789	473	170	(68)	(740)	344
FUND BALANCE - BEGINNING	5,293	4,842	4,085	4,785	5,312	5,012
Prior Period Adjustments	18	(22)	(4)	(41)	(1)	(44)
Accounting Changes	-	-	591	-	214	-
FUND BALANCE - ENDING	\$ 6,100	\$ 5,293	\$ 4,842	\$ 4,676	\$ 4,785	\$ 5,312

A-152

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 310.

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

(DOLLARS IN MILLIONS)

	2016-17	2015-16	2014-15	2013-14
Income Tax:				
Individual	\$ 6,209	\$ 5,993	\$ 5,888	\$ 5,273
Corporate	467	606	635	665
Net Income Tax	6,676	6,599	6,523	5,938
Sales, Use, and Excise Taxes	3,188	2,996	2,990	2,763
Less: Excess TABOR Revenues	-	-	(170)	-
Net Sales, Use, and Excise Taxes	3,188	2,996	2,820	2,763
Estate Taxes	-	-	-	-
Insurance Tax	291	280	257	239
Gaming and Other Taxes	-	16	14	12
Investment Income	15	13	9	15
Severance Taxes to be Refunded	54	-	-	-
Other	40	26	19	25
TOTAL GENERAL REVENUES	\$ 10,264	\$ 9,930	\$ 9,642	\$ 8,992
Percent Change From Previous Year	3.4%	3.0%	7.2%	5.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	65.0%	66.5%	66.5%	66.0%
Sales, Use, and Excise Taxes	31.2	30.1	30.5	30.7
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.8	2.8	2.6	2.7
Other Taxes	0.0	0.2	0.1	0.1
Interest	0.1	0.1	0.1	0.2
Severance Taxes to be Refunded	0.5	0.0	0.0	0.0
Other	0.4	0.3	0.2	0.3
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Income Tax:						
Individual	\$ 5,149	\$ 4,633	\$ 4,154	\$ 3,777	\$ 4,021	\$ 4,600
Corporate	597	457	366	350	265	474
Net Income Tax	5,746	5,090	4,520	4,127	4,286	5,074
Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072	1,982	2,173
Less: Excess TABOR Revenues	-	-	-	-	-	-
Net Sales, Use, and Excise Taxes	2,549	2,387	2,323	2,072	1,982	2,173
Estate Taxes	-	-	-	-	-	-
Insurance Tax	210	197	190	187	192	188
Gaming and Other Taxes	12	20	20	16	-	-
Investment Income	17	14	8	10	9	18
Severance Taxes to be Refunded	-	-	-	-	-	-
Other	21	26	25	44	56	52
TOTAL GENERAL REVENUES	\$ 8,555	\$ 7,734	\$ 7,086	\$ 6,456	\$ 6,525	\$ 7,505
Percent Change From Previous Year	10.6%	9.1%	9.8%	-1.1%	-13.1%	2.6%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)						
Net Income Tax	67.2%	65.8%	63.8%	63.9%	65.7%	67.6%
Sales, Use, and Excise Taxes	29.8	30.9	32.7	32.1	30.4	29.0
Estate Taxes	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Tax	2.5	2.5	2.7	2.9	2.9	2.5
Other Taxes	0.1	0.3	0.3	0.2	0.0	0.0
Interest	0.2	0.2	0.1	0.2	0.1	0.2
Severance Taxes to be Refunded	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.3	0.4	0.7	0.9	0.7
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

A-153

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**EXPENDITURES BY DEPARTMENT¹ AND TRANSFERS
FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2016-17	RESTATED 2015-16	2014-15	2013-14
Department: ¹				
Agriculture	\$ 10,639	\$ 10,050	\$ 8,633	\$ 7,697
Corrections	748,559	758,545	717,579	675,706
Education	3,764,298	3,477,785	3,357,324	3,153,609
Governor	39,615	34,609	30,267	22,819
Health Care Policy and Financing	2,468,392	2,446,338	2,274,875	2,100,771
Higher Education	870,664	856,849	761,306	659,901
Human Services	918,130	936,071	877,162	812,603
Judicial Branch	487,636	481,550	441,700	386,870
Labor and Employment	21,579	7,754	660	50
Law	14,774	14,525	13,457	12,127
Legislative Branch	44,880	43,410	41,132	38,712
Local Affairs	25,235	25,481	22,244	17,540
Military and Veterans Affairs	8,253	7,907	7,792	7,094
Natural Resources	28,711	27,519	26,216	25,141
Personnel & Administration	12,273	11,034	7,601	31,407
Public Health and Environment	48,448	49,964	59,383	53,588
Public Safety	122,404	113,976	126,747	165,240
Regulatory Agencies	5,742	6,073	6,007	1,730
Revenue	90,957	149,361	97,249	73,626
State	-	-	-	-
Transportation	392	102	-	-
Treasury	15,908	12,522	5,684	108,870
Transfer to Capital Construction Fund	84,484	271,130	248,502	186,715
Transfer to Various Cash Funds	194,735	90,196	67,555	260,272
Transfer to the Highway Users Tax Fund	79,000	199,200	-	-
Other Transfers and Nonoperating Disbursements	153,379	143,492	127,795	126,263
TOTALS	\$ 10,259,087	\$ 10,175,443	\$ 9,326,870	\$ 8,927,351
Percent Change	0.8%	9.1%	4.5%	-0.4%
(AS PERCENT OF TOTAL)				
Education	36.7%	34.2%	36.0%	35.3%
Health Care Policy and Financing	24.1	24.0	24.4	23.5
Higher Education	8.5	8.4	8.2	7.4
Human Services	8.9	9.2	9.4	9.1
Corrections	7.3	7.5	7.7	7.6
Transfer to Capital Construction Fund	0.8	2.7	2.7	2.1
Transfer to Various Cash Funds	1.9	0.9	0.7	2.9
Transfers to the Highway Users Tax Fund	0.8	2.0	0.0	0.0
Judicial	4.8	4.7	4.7	4.3
Revenue	0.9	1.5	1.0	0.8
All Others	5.3	4.9	5.2	7.0
TOTALS	100.0%	100.0%	100.0%	100.0%

	2012-13	2011-12	RESTATED 2010-11	2009-10	2008-09	2007-08
	\$ 6,975	\$ 5,152	\$ 4,658	\$ 5,915	\$ 6,809	\$ 7,124
	652,394	647,313	657,559	563,570	637,292	626,246
	3,014,681	2,833,433	2,962,954	3,238,879	3,214,951	3,023,255
	18,555	9,699	11,600	13,781	13,342	17,346
	1,829,776	1,685,679	1,267,889	1,152,245	1,311,702	1,482,803
	628,565	623,963	705,085	428,784	661,974	747,717
	753,225	703,676	710,966	751,149	776,394	749,974
	354,119	337,039	325,173	323,146	328,056	300,674
	-	-	-	-	-	-
	10,355	9,341	9,313	9,133	8,705	8,474
	35,957	34,672	31,736	32,504	34,944	31,139
	10,976	10,448	10,579	10,854	12,276	10,895
	6,576	5,355	4,969	5,263	5,637	5,407
	23,620	23,400	26,233	25,515	30,558	30,086
	6,588	3,935	4,823	5,139	5,337	10,934
	31,199	27,742	27,165	26,548	26,634	23,596
	85,595	81,993	80,239	79,459	78,874	72,806
	1,674	1,597	1,529	1,429	1,451	1,400
	55,078	55,596	52,540	54,187	67,092	73,593
	-	-	-	-	-	-
	-	-	-	-	-	-
	27,650	4,914	4,140	7,784	10,643	13,902
	61,411	49,298	11,985	169	39,396	183,443
	1,086,051	72,000	296,872	8,000	10,281	327
	-	-	-	-	28,965	166,182
	262,406	25,479	19,422	20,555	102,966	137,747
TOTALS	\$ 8,963,426	\$ 7,251,724	\$ 7,227,429	\$ 6,764,008	\$ 7,414,279	\$ 7,725,070
Percent Change	23.6%	0.3%	6.9%	-8.8%	-4.0%	3.0%
(AS PERCENT OF TOTAL)						
Education	33.6%	39.1%	41.0%	47.9%	43.4%	39.1%
Health Care Policy and Financing	20.4	23.2	17.5	17.0	17.7	19.2
Higher Education	7.0	8.6	9.8	6.3	8.9	9.7
Human Services	8.4	9.7	9.8	11.1	10.5	9.7
Corrections	7.3	8.9	9.1	8.3	8.6	8.1
Transfer to Capital Construction Fund	0.7	0.7	0.2	0.0	0.5	2.4
Transfer to Various Cash Funds	12.1	1.0	4.1	0.1	0.1	0.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0	0.4	2.2
Judicial	4.0	4.6	4.5	4.8	4.4	3.9
Revenue	0.6	0.8	0.7	0.8	0.9	1.0
All Others	5.9	3.4	3.3	3.7	4.6	4.7
TOTALS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ - Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

A-154

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	\$ -	\$ -	\$ -	\$ -
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	-
Unreserved Undesignated:				
General Fund	-	-	-	-
Unreserved:				
General Fund	-	-	-	-
Nonspendable:				
Inventories	8,503	7,522	8,894	8,721
Prepays	39,348	37,977	40,971	38,535
Restricted	442,249	497,814	398,948	468,758
Committed	646,700	513,986	705,844	411,362
Assigned	17,218	19,283	20,731	7,651
Unassigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	1,154,018	1,076,582	1,175,388	935,027

ALL OTHER GOVERNMENTAL FUNDS:

Reserved for:				
Encumbrances	\$ -	\$ -	\$ -	\$ -
Noncurrent Assets	-	-	-	-
Debt Service	-	-	-	-
Statutory Purposes	-	-	-	-
Emergencies	-	-	-	-
Funds Reported as Restricted	-	-	-	-
Unreserved, Reported in:				
General Fund	-	-	-	-
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 Permanent Funds	-	-	-	-
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	19,171	-	-
Inventories	44,779	45,026	44,436	43,681
Permanent Fund Principal	1,122,480	1,043,619	971,676	868,383
Prepays	27,686	25,298	25,849	29,365
Restricted	1,336,625	1,582,619	1,942,973	2,546,717
Committed	2,677,915	2,817,110	2,686,468	2,310,902
Assigned	-	-	-	-
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	5,209,485	5,532,843	5,671,402	5,799,048
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	\$ 6,363,503	\$ 6,609,425	\$ 6,846,790	\$ 6,734,075

	2012-13	2011-12	2010-11 ²	2009-10	2008-09	2007-08
Reserved for:						
Encumbrances	\$ -	\$ -	\$ -	\$ 5,721	\$ 2,195	\$ 16,487
Noncurrent Assets	-	-	-	-	1	7
Statutory Purposes	-	-	-	-	148,212	151,721
Risk Management	-	-	-	23,031	18,650	35,559
Unreserved Undesignated:						
General Fund	-	-	-	(30,822)	155,436 ¹	-
Unreserved:						
General Fund	-	-	-	17,854	10,939	3,639
Nonspendable:						
Inventories	9,931	6,942	8,742	-	-	-
Prepays	22,654	24,175	33,009	-	-	-
Restricted	487,161	503,448	542,997	-	-	-
Committed	279,352	331,419	39,458	-	-	-
Assigned	7	20	109	-	-	-
Unassigned	-	359,421	(21,468)	-	-	-
TOTAL RESERVED	-	-	-	28,752	169,058	203,774
TOTAL UNRESERVED	-	-	-	(12,968)	166,375	3,639
TOTAL FUND BALANCE	799,105	1,225,426	602,847	15,784	335,433	207,413

Reserved for:						
Encumbrances	\$ -	\$ -	\$ -	\$ 1,052,572	\$ 1,043,396	\$ 966,477
Noncurrent Assets	-	-	-	584,828	515,062	425,830
Debt Service	-	-	-	4,093	558	558
Statutory Purposes	-	-	-	325,463	40,921	109,322
Emergencies	-	-	-	94,000	93,550	93,000
Funds Reported as Restricted	-	-	-	1,151,448	1,445,739	1,902,755
Unreserved, Reported in:						
General Fund	-	-	-	-	-	-
Special Revenue Funds	-	-	-	57,148	53,498	54,676
Capital Projects Funds	-	-	-	(35,611)	54,687	134,470
Nonmajor Special Revenue Funds	-	-	-	1,302,178	1,117,248	1,391,483
Nonmajor Permanent Funds	-	-	-	10,586	8,500	2,326
Unreserved:						
Designated for Unrealized Investment Gains:						
Reported in Major Funds	-	-	-	34,487	30,327	13,385
Reported in Nonmajor Special Revenue Funds	-	-	-	40,778	23,719	8,751
Reported in Nonmajor Permanent Funds	-	-	-	38,541	22,875	1,571
Nonspendable:						
Long-term Portion of Interfund Loans Receivable	-	-	-	-	-	-
Inventories	44,262	8,690	9,839	-	-	-
Permanent Fund Principal	760,160	737,239	658,883	-	-	-
Prepays	32,697	28,665	21,540	-	-	-
Restricted	2,783,009	1,673,490	1,988,088	-	-	-
Committed	1,680,986	1,619,397	1,560,775	-	-	-
Assigned	-	-	-	-	-	-
TOTAL RESERVED	-	-	-	3,212,404	3,139,226	3,497,942
TOTAL UNRESERVED	-	-	-	1,448,107	1,310,854	1,606,662
TOTAL FUND BALANCE	5,301,114	4,067,481	4,239,125	4,660,511	4,450,080	5,104,604
TOTAL RESERVED	-	-	-	3,241,156	3,208,284	3,701,716
TOTAL UNRESERVED	-	-	-	1,435,139	1,477,229	1,610,301
TOTAL FUND BALANCE	\$ 6,100,219	\$ 5,292,907	\$ 4,841,972	\$ 4,676,295	\$ 4,785,513	\$ 5,312,017

¹ - This amount results from a \$458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance.

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**TABOR REVENUES, EXPENDITURES,
FISCAL YEAR SPENDING LIMITATIONS,
AND REFUNDS
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	Unaudited 2016-17	Restated 2015-16	Restated 2014-15	Restated 2013-14
DISTRICT REVENUES:				
Exempt District Revenues	\$ 17,784,588	\$ 18,170,415	\$ 16,980,420	\$ 16,833,308
Nonexempt District Revenues	12,891,657	12,824,408	12,530,772	11,683,130
TOTAL DISTRICT REVENUES	30,676,245	30,994,823	29,511,192	28,516,438
Percent Change In Nonexempt District Revenues	0.5%	2.3%	7.3%	5.3%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	17,784,588	18,170,415	16,980,420	16,833,308
Nonexempt District Expenditures	13,251,437	13,076,457	12,237,753	11,008,327
TOTAL DISTRICT EXPENDITURES	31,036,025	31,246,872	29,218,173	27,841,635
Percent Change In Nonexempt District Expenditures	1.3%	6.9%	11.2%	1.4%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	\$ (359,780)	\$ (252,049)	\$ 293,019	\$ 674,803
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	\$ 10,427,606	\$ 9,976,946	\$ 9,566,586	\$ 9,247,466
Adjustments To Prior Year Limit ¹	10,480	(45,595)	(962)	(152)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	10,438,086	9,931,351	9,565,624	9,247,314
Allowable Growth Rate (Population Plus Inflation)	3.1%	4.4%	4.3%	3.3%
Current Fiscal Year Spending Limitation	10,761,667	10,368,330	9,976,946	9,552,475
Adjustments To Current Year Limit	-	59,276	0	14,111
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	10,761,667	10,427,606	9,976,946	9,566,586
EXCESS STATE REVENUE CAP (ESRC)²	13,327,811	12,946,499	12,361,032	11,852,383
NONEXEMPT DISTRICT REVENUES	12,891,657	12,824,408	12,530,772	11,683,130
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	2,129,990	2,396,802	2,553,826	2,116,544
Amount Over(Under) Excess State Revenue Cap	(436,154)	(122,091)	169,740	(169,253)
Correction Of Prior Years' Refunds	-	-	3,606	-
Viewer Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	\$ -	\$ -	\$ 173,346	\$ -

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
\$ 16,446,833	\$ 15,017,772	\$ 15,532,632	\$ 16,056,039	\$ 14,496,192	\$ 12,126,729
11,107,341	10,273,184	9,424,764	8,567,941	9,102,354	9,998,559
27,554,174	25,290,956	24,957,396	24,623,980	23,598,546	22,125,288
8.1%	9.0%	10.0%	-5.9%	-9.0%	3.7%
16,162,555	15,017,772	15,532,632	16,056,039	14,496,192	12,126,729
10,548,250	9,791,616	9,330,892	8,638,571	10,168,409	9,533,890
26,710,805	24,809,388	24,863,524	24,694,610	24,664,601	21,660,619
7.7%	4.9%	8.0%	-15.0%	6.7%	7.8%
\$ 843,369	\$ 481,568	\$ 93,872	\$ (70,630)	\$ (1,066,055)	\$ 464,670
\$ 8,799,754	\$ 8,654,192	\$ 8,567,941	\$ 9,102,354	\$ 8,829,131	\$ 8,333,827
(27,952)	(26,982)	(16,368)	(422,016)	(10,365)	(1,054)
8,771,802	8,627,210	8,551,573	8,680,338	8,818,766	8,332,773
5.4%	2.0%	1.2%	5.8%	4.1%	5.5%
9,245,479	8,799,754	8,654,192	9,183,797	9,180,336	8,791,075
1,987	-	-	-	23,505	38,056
9,247,466	8,799,754	8,654,192	9,183,797	9,203,841	8,829,131
11,460,242	10,871,425	10,684,856			
11,107,341	10,273,184	9,424,764	8,567,941	9,102,354	9,998,559
1,859,875	1,473,430	770,572	(615,856)	(101,488)	1,169,428
(352,901)	(598,242)	(1,260,092)			
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,169,428

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.

A-156

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**INDIVIDUAL INCOME TAX RETURNS¹
BY ADJUSTED GROSS INCOME CLASS
2005 to 2014**

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

	2014 ²		2013 ²		2012		2011	
	# 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%	20,745	0.0%	27,782	0.0%	29,544	0.0%
\$0 to \$5,000	75,579	0.0%	75,579	0.0%	71,367	0.0%	75,051	0.0%
\$5,001 to \$10,000	116,468	0.0%	116,468	0.0%	107,200	0.0%	110,088	0.0%
\$10,001 to \$15,000	143,151	0.2%	143,151	0.2%	134,062	0.2%	136,559	0.2%
\$15,001 to \$20,000	147,443	0.6%	147,443	0.6%	142,158	0.6%	144,355	0.6%
\$20,001 to \$25,000	142,264	1.0%	142,264	1.0%	135,486	0.8%	138,462	1.0%
\$25,001 to \$35,000	253,592	3.1%	253,592	3.1%	246,822	2.7%	247,916	3.0%
\$35,001 to \$50,000	288,777	6.2%	288,777	6.2%	282,264	5.3%	281,297	6.1%
\$50,001 to \$75,000	324,317	11.6%	324,317	11.6%	316,737	10.2%	314,902	11.3%
\$75,001 to \$100,000	214,588	11.8%	214,588	11.8%	213,250	10.6%	209,322	11.6%
\$100,000 and over	411,071	65.5%	411,071	65.5%	410,924	69.4%	382,180	66.2%
TOTAL	2,137,995	100.0%	2,137,995	100.0%	2,088,052	100.0%	2,069,676	100.0%

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

	2010		2009		2008		2007		2006		2005	
	# 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
	30,444	0.0%	33,536	0.0%	23,480	0.0%	24,376	0.0%	23,376	0.0%	23,916	0.0%
	75,736	0.0%	82,340	0.0%	76,617	0.0%	81,028	0.0%	72,400	0.0%	76,547	0.0%
	115,075	0.0%	119,531	0.0%	112,812	0.0%	109,819	0.0%	108,412	0.0%	112,703	0.0%
	140,054	0.2%	139,504	0.3%	130,686	0.3%	125,816	0.2%	127,061	0.3%	128,661	0.3%
	144,469	0.6%	143,006	0.7%	139,486	0.8%	134,806	0.6%	134,933	0.8%	134,643	0.8%
	141,184	1.1%	139,626	1.2%	135,930	1.3%	131,969	0.6%	130,926	1.3%	130,647	1.4%
	248,319	3.3%	245,832	3.7%	246,979	4.1%	243,919	3.3%	240,034	3.8%	236,285	4.1%
	278,127	6.5%	278,767	7.2%	285,209	7.8%	278,843	6.3%	272,040	7.2%	267,939	7.6%
	311,671	12.0%	311,321	13.3%	318,161	14.0%	313,367	11.4%	302,778	12.9%	295,028	13.6%
	204,879	12.2%	199,941	13.3%	202,834	13.9%	200,847	11.4%	189,359	12.5%	179,635	13.0%
	354,393	64.1%	319,821	60.3%	317,476	57.8%	330,337	66.2%	290,548	61.2%	256,424	59.2%
TOTAL	2,044,351	100.0%	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%

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.

**COLORADO TAX RATES¹
2007 to 2017**

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.

**SALES TAX RETURNS
BY INDUSTRY CLASS
2006 to 2015**

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

	2015 ¹		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	64,533	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

¹ – Data for 2016 is not available as of the date of publication.

	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%
TOTAL	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)

	2016-17	RESTATED 2015-16	2014-15	2013-14
DEBT SERVICE EXPENDITURES:				
Principal	\$ 177,925	\$ 210,390	\$ 194,818	\$ 184,106
Interest	60,781	69,729	74,689	77,005
TOTAL DEBT SERVICE EXPENDITURES	\$ 238,706	\$ 280,119	\$ 269,507	\$ 261,111
Percent Change Over Previous Year	-14.8%	3.9%	3.2%	5.9%
TOTAL NONCAPITAL EXPENDITURES	21,788,949	22,034,812	20,480,883	19,001,514
TOTAL CAPITAL EXPENDITURES	1,222,662	1,078,383	1,194,596	664,762
TOTAL GOVERNMENTAL EXPENDITURES	23,011,611	23,113,195	21,675,479	19,666,276
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.8%	1.0%	1.0%	0.9%
Interest	0.3%	0.3%	0.4%	0.4%
Total Debt Service Expenditures	1.1%	1.3%	1.3%	1.4%

	2012-13	2011-12	2010-11	2009-10	RESTATED 2008-09	2007-08
DEBT SERVICE EXPENDITURES:						
Principal	\$ 163,939	\$ 150,690	\$ 124,993	\$ 116,083	\$ 109,801	\$ 104,924
Interest	82,660	85,586	82,829	77,919	78,719	102,652
TOTAL DEBT SERVICE EXPENDITURES	\$ 246,599	\$ 236,276	\$ 207,822	\$ 194,002	\$ 188,520	\$ 207,576
Percent Change Over Previous Year	4.4%	13.7%	7.1%	2.9%	-9.2%	-2.5%
TOTAL NONCAPITAL EXPENDITURES	17,329,054	16,470,142	16,654,138	16,566,769	15,448,232	14,196,496
TOTAL CAPITAL EXPENDITURES	653,157	726,501	631,546	478,179	359,518	242,572
TOTAL GOVERNMENTAL EXPENDITURES	17,982,211	17,196,643	17,285,684	17,044,948	15,807,750	14,439,068
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:						
Principal	0.9%	0.9%	0.7%	0.7%	0.7%	0.7%
Interest	0.5%	0.5%	0.5%	0.5%	0.5%	0.7%
Total Debt Service Expenditures	1.4%	1.4%	1.2%	1.2%	1.2%	1.4%

**TOTAL OUTSTANDING DEBT^{1,2,4}
PRIMARY GOVERNMENT
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2016-17	2015-16	2014-15	2013-14
Governmental Activities:				
Revenue Backed Debt	\$ -	\$ 127,925	\$ 289,789	\$ 443,881
Certificates of Participation	1,302,382	1,205,172	1,227,828	1,267,869
Capital Leases	142,153	150,665	172,329	174,996
Notes and Mortgages	11,115	13,205	15,250	17,385
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,455,650	1,496,967	1,705,196	1,904,131
Business-Type Activities:				
Revenue Backed Debt	4,391,056	4,320,596	4,242,726	3,967,023
Certificates of Participation	346,769	372,661	399,231	403,761
Capital Leases	49,891	57,126	54,281	42,192
Notes and Mortgages	61,397	53,968	28,317	4,810
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,849,113	4,804,351	4,724,555	4,417,786
Total Primary Government:				
Revenue Backed Debt	4,391,056	4,448,521	4,532,515	4,410,904
Certificates of Participation	1,649,151	1,577,833	1,627,059	1,671,630
Capital Leases	192,044	207,791	226,610	217,188
Notes and Mortgages	72,512	67,173	43,567	22,195
TOTAL OUTSTANDING DEBT¹	\$ 6,304,763	\$ 6,301,318	\$ 6,429,751	\$ 6,321,917
Percent Change Over Previous Year	0.1%	-2.0%	1.7%	3.3%
Colorado Population (In Thousands) Restated for Census	5,541	5,439	5,345	5,268
Per Capita Debt (Dollars Per Person) Restated for Census	\$1,138	\$1,159	\$1,203	\$1,200
Per Capita Income (Thousands Per Person)	\$52.1	\$50.3	\$48.8	\$46.9
Per Capita Debt as a Percent of Per Capita Income	2.2%	2.3%	2.5%	2.6%

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Governmental Activities:						
Revenue Backed Debt	\$ 574,147	\$ 739,138	\$ 869,282	\$ 992,436	\$ 1,106,973	\$ 1,216,006
Certificates of Participation	1,192,193	1,018,456	897,632	689,973	162,053	172,864
Capital Leases	151,010	121,429	107,588	97,130	91,813	60,031
Notes and Mortgages	19,220	19,369	-	515,000	515,000	460,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,936,570	1,898,392	1,874,502	2,294,539	1,875,839	1,908,901
Business-Type Activities:						
Revenue Backed Debt	3,724,951	3,753,617	2,762,166	2,306,693	3,551,588	3,325,690
Certificates of Participation	403,603	420,951	430,537	432,698	446,656	210,150
Capital Leases	41,728	39,038	48,416	83,374	93,773	93,374
Notes and Mortgages	3,522	7,353	3,503	43,925	4,771	6,211
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,173,804	4,220,959	3,244,622	2,866,690	4,096,788	3,635,425
Total Primary Government:						
Revenue Backed Debt	4,299,098	4,492,755	3,631,448	3,299,129	4,658,561	4,541,696
Certificates of Participation	1,595,796	1,439,407	1,328,169	1,122,671	608,709	383,014
Capital Leases	192,738	160,467	156,004	180,504	185,586	153,405
Notes and Mortgages	22,742	26,722	3,503	558,925	519,771	466,211
TOTAL OUTSTANDING DEBT¹	\$ 6,110,374	\$ 6,119,351	\$ 5,119,124	\$ 5,161,229	\$ 5,972,627	\$ 5,544,326
Percent Change Over Previous Year	-0.1%	19.5%	-0.8%	-13.6% ³	7.7%	8.5%
Colorado Population (In Thousands) Restated for Census	5,273	5,188	5,118	5,048	4,972	4,890
Per Capita Debt (Dollars Per Person) Restated for Census	\$1,159	\$1,180	\$1,000	\$1,022	\$1,201	\$1,134
Per Capita Income (Thousands Per Person)	\$46.1	\$46.3	\$44.2	\$41.7	\$41.5	\$43.4
Per Capita Debt as a Percent of Per Capita Income	2.5%	2.6%	2.3%	2.5%	2.9%	2.6%

A-158

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.

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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

REVENUE BOND COVERAGE¹
Last Ten Fiscal Years
(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2016-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00
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
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance²							
2016-17	\$ 109,927	\$ -	\$ 109,927	\$ -	\$ 18,234	\$ 18,234	6.03
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
Higher Education Institutions							
2016-17	\$ 2,170,616	\$ 618,649	\$ 1,551,967	\$ 117,118	\$ 160,835	\$ 277,953	5.58
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	537,627	613,312	94,381	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

A-159

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO DEMOGRAPHIC DATA
2008 to 2017

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employment (000)	Unemployment %
2017 est	5,632	1.73%	\$ 304.0	\$ 53,978	106.5%	2,992	2.4%
2016	5,541	1.71	288.4	52,059	105.6	2,888	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

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
2008 to 2017
(AMOUNTS IN THOUSANDS)

Industry	2017 est	2016	2015 est	2014	2013	2012	2011	2010	2009	2008
Natural Resources and Mining	23.0	23.2	31.1	34.1	30.6	30.3	27.9	24.4	24.2	28.5
Construction	166.0	157.0	149.5	142.2	127.5	115.8	112.5	115.1	131.3	161.8
Manufacturing	146.0	143.7	141.4	136.6	132.8	130.9	128.1	124.2	128.0	142.3
Transportation, Trade, and Utilities	461.8	454.7	445.3	432.9	420.2	409.7	401.7	397.6	403.8	429.3
Information	72.5	71.4	70.7	70.3	69.8	69.8	71.4	72.0	74.7	76.8
Financial Activities	169.4	164.1	159.5	153.9	151.0	146.7	143.9	144.3	148.0	155.6
Professional and Business Services	413.2	404.0	397.5	386.5	372.6	356.9	341.5	330.8	331.8	353.7
Educational and Health Services	335.6	325.0	312.9	298.9	286.7	282.6	273.7	264.7	257.2	250.5
Leisure and Hospitality	336.1	324.1	313.3	300.4	289.4	279.7	271.4	263.0	262.4	272.9
Other Services	107.6	105.2	103.0	100.7	97.7	96.0	93.7	92.4	93.7	94.8
Government	428.4	423.7	416.7	408.5	403.7	394.8	392.9	393.8	390.5	384.1
Total	2,659.6	2,596.1	2,540.9	2,465.0	2,382.0	2,313.2	2,258.7	2,222.3	2,245.6	2,350.3

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

¹ - Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.
² - Excludes nonagricultural self-employed, unpaid family, and domestic workers.

**VALUE OF TOTAL CONSTRUCTION
IN COLORADO BY TYPE
Last Ten Years**
(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2017 est	\$ 9,683	\$ 5,400	\$ 2,800	\$ 17,883
2016	8,629	4,900	2,800	16,329
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

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
2017 est	\$ 90.50	\$ 7.14
2016	86.70	7.24
2015	83.40	8.79
2014	79.50	9.08
2013	74.10	8.55
2012	70.70	8.34
2011	66.70	8.48
2010	62.30	7.08
2009	58.30	6.91
2008	66.50	6.98

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT¹
BY FUNCTIONS/PROGRAMS
Last Ten Years²

	2017	2016	2015	2014
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	848	815	719	638
Employees (calculated Average Employment)	74,253	72,483	72,369	70,823
Balance in Treasury Pool (in millions)	\$6,852.0	\$7,413.7	\$7,683.2	\$7,047.8
Business, Community, and Consumer Affairs:				
Professional Licenses at Regulatory Agencies	829,350	813,639	789,643	750,306
Unemployment Rate (percent) ⁴	2.4	3.3	4.3	5.5
Employment Level ⁴	2,919,787	2,808,506	2,716,981	2,691,680
Education:				
Public Schools	1,833	1,853	1,836	1,824
Primary School Students	905,018	899,112	889,006	876,999
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes ³	543	545	545	486
Average Daily Population of Regional Centers ^{3,5}	260	266	272	288
Justice:				
District Court Cases Filed ³	225,438	216,970	231,188	289,965
County Court Cases Filed ³	425,947	430,398	446,255	493,341
Inmate Admissions	8,851	9,912	9,912	9,620
Inmate Releases	9,844	10,269	10,269	10,506
Average Daily Inmate Population	20,179	20,478	20,478	20,551
Citations Issued by the State Patrol	144,612	128,142	145,790	140,640
Crashes Covered by the State Patrol	30,254	25,541	30,463	29,163
Natural Resources:				
Active Oil and Gas Wells ³	54,600	52,600	52,300	50,350
Oil and Gas Drilling Permits ³	4,620	3,725	4,333	4,300
Annual State Park Visitors ³	14,800,000	12,300,000	11,699,543	11,556,388
Water Loans	328	312	294	289
Social Assistance:				
Medicaid Recipients ³	1,385,945	1,289,795	1,003,612	809,452
Average Cash Assistance Payments per Month ³	960,100	286,611	63,646	65,208
Transportation:				
Lane Miles	22,984,731	23,018,184	23,018,184	23,021,500
Bridges	3,455	3,427	3,439	3,443
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students ³	142,180	145,769	150,073	155,748
Nonresident Students ³	32,884	30,869	29,305	28,580
Unemployment Insurance:				
Individuals Served - Employment and Training ³	425,253	469,274	553,258	552,303
Initial Unemployment Claims ³	129,887	152,658	157,161	199,007
CollegeInvest: ⁷				
Loans Issued or Purchased	-	-	-	-
Average Balance per Loan	-	-	-	-
Lottery:				
Scratch Tickets Sold	84,041,528	87,433,955	89,637,387	89,961,317
Lotto Tickets Sold	30,609,106	27,422,320	29,837,628	33,809,181
Powerball Tickets Sold	29,860,519	47,427,269	29,581,783	35,134,907
Other Lottery Tickets Sold	54,533,766	29,682,863	50,521,072	56,956,625
Wildlife:				
Hunting & Fishing Licenses Sold ³	1,700,000	1,600,000	2,300,000	2,300,000
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 2013	Restated 2012	Restated 2011	2010	2009	2008
634	626	616	601	593	556
68,898	67,871	66,691	65,325	64,535	61,915
\$7,106.9	\$6,546.6	\$6,076.2	\$5,902.0	\$5,663.2	\$6,159.4
729,328	705,205	703,695	702,498	679,836	640,332
6.8	7.8	8.5	9.0	8.1	4.8
2,595,837	2,523,535	2,490,004	2,475,831	2,511,189	2,599,724
1,823	1,806	1,786	1,817	1,769	1,771
863,561	854,265	843,316	832,368	818,443	802,639
489	501	511	554	569	548
305	302	307	329	378	403
247,696	238,766	190,531	188,822	191,749	199,681
505,234	541,439	562,185	562,570	554,165	579,069
9,597	9,116	9,935	10,704	10,992	11,038
10,506	10,657	10,161	11,033	10,803	10,565
20,812	22,009	22,814	22,980	23,210	22,887
127,939 ⁶	130,651	149,015	170,988	170,570	221,544
27,751 ⁶	25,554	24,878	24,123	26,159	27,260
47,916	45,300	45,500	45,000	36,000	35,000
5,100	4,800	5,250	5,000	7,400	6,780
12,461,261	12,651,919	12,463,495	11,666,912	13,680,012	11,272,418
277	288	288	278	269	258
687,473	613,148	553,407	476,632	381,390	383,784
65,208	66,472	63,742	58,119	57,200	62,647
23,023,800	23,023,720	23,023,070	22,982,320	23,060,630	23,036,480
3,438	3,447	3,447	3,447	3,429	3,406
159,206	160,944	160,160	146,531	136,900	135,275
27,536	26,934	26,225	24,869	23,166	22,069
636,977	585,724	615,548	652,570	350,000	300,000
228,634	302,418	389,769	408,644	120,074	119,561
-	-	-	-	268,745 ⁷	239,060
-	-	-	-	6,326 ⁷	6,328
94,109,256	99,988,581	98,545,733	99,657,606	104,217,790	101,604,127
32,561,865	33,276,914	39,257,585	41,620,408	43,552,521	41,071,837
67,690,312	64,285,665	70,047,258	101,568,085	100,733,520	109,565,516
47,690,502	65,916,303	50,464,834	26,833,674	20,831,732	19,148,564
2,315,000	2,333,000	1,380,000	1,630,000	2,300,000	1,545,659
-	-	61,076 ⁸	107,402	115,486	140,232
-	-	4,961 ⁸	41,616	47,892	18,859

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**

	2016-17	2015-16	2014-15	2013-14
General Government	3,238	3,102	3,005	3,092
Business, Community, and Consumer Affairs	2,757	2,451	2,441	2,482
Education	43,762	42,494	42,767	41,501
Health and Rehabilitation	4,122	4,023	4,007	3,990
Justice	14,076	13,974	13,760	13,416
Natural Resources	1,619	1,623	1,599	1,579
Social Assistance	1,661	1,810	1,766	1,731
Transportation	3,018	3,006	3,024	3,032
TOTAL AVERAGE EMPLOYMENT	74,253	72,483	72,369	70,823
TOTAL CLASSIFIED	31,159	31,102	31,246	31,284
AVERAGE MONTHLY SALARY	\$ 4,554	\$ 4,539	\$ 4,502	\$ 4,391
TOTAL NON-CLASSIFIED	43,093	41,381	41,123	39,539
AVERAGE MONTHLY SALARY	\$ 6,872	\$ 6,691	\$ 6,306	\$ 6,140

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Government	2,958	3,042	2,991	2,399	2,454	2,392
Business, Community, and Consumer Affairs	2,420	2,404	2,458	2,564	2,437	2,372
Education	40,218	39,097	38,038	37,093	36,042	34,469
Health and Rehabilitation	3,931	3,953	3,965	4,019	3,944	3,865
Justice	13,123	13,149	13,093	12,848	13,000	12,467
Natural Resources	1,586	1,597	1,579	1,607	1,587	1,583
Social Assistance	1,633	1,605	1,579	1,704	1,671	1,656
Transportation	3,029	3,024	2,988	3,091	3,400	3,111
TOTAL AVERAGE EMPLOYMENT	68,898	67,871	66,691	65,325	64,535	61,915
TOTAL CLASSIFIED	31,504	32,449	32,927	32,799	32,820	31,995
AVERAGE MONTHLY SALARY	\$ 4,283	\$ 4,314	\$ 4,324	\$ 4,367	\$ 4,390	\$ 4,278
TOTAL NON-CLASSIFIED	37,394	35,422	33,764	32,526	31,715	29,920
AVERAGE MONTHLY SALARY	\$ 5,953	\$ 5,840	\$ 5,786	\$ 5,735	\$ 5,723	\$ 5,467

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
2007 TO 2016**

Mileage Type	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
CenterLine Miles ¹										
Urban	1,510	1,523	1,523	1,385	1,385	1,385	1,389	1,398	1,400	1,398
Rural	7,578	7,580	7,580	7,718	7,720	7,720	7,720	7,748	7,744	7,736
TOTAL CENTERLINE MILES	9,088	9,103	9,103	9,103	9,105	9,105	9,109	9,146	9,144	9,134
Percent Change	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%
Lane Miles ²										
Urban	5,742	5,771	5,771	5,326	5,330	5,327	5,327	5,352	5,238	5,232
Rural	17,242	17,247	17,247	17,688	17,694	17,693	17,654	17,709	17,798	17,767
TOTAL LANE MILES	22,984	23,018	23,018	23,014	23,024	23,023	22,981	23,061	23,036	22,999
Percent Change	-0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%
Roadways ³										
Percent Rated Good/Fair	79	79	79	79	47	48	48	50	53	59
Percent Rated Poor	21	21	21	21	53	52	52	50	47	41
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 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

	2017	2016	Restated 2015	2014	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:										
General Government	4,110,351	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	1,253,288	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	322,484	327,394	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,463,129	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	8,763,302	8,743,419	8,633,669	8,797,346	8,170,861	8,426,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	105,952	105,952	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,834,815	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	3,450,675	3,652,382	3,589,835	3,373,967	3,362,781	3,276,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:										
Higher Education	55,858,696	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	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	79,976,301	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.

A-163

**COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2008 to 2017**

Functional Classification	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Principal Arterial ¹	1,390	1,372	1,377	1,114	1,294	1,303	1,299	1,376	1,368	1,341
Other Principal Arterial	931	930	930	1,199	793	791	785	801	794	795
Minor Arterial	670	666	667	667	747	749	752	759	761	773
Collector	387	383	390	391	443	442	446	431	426	404
Local	77	76	75	72	161	162	165	80	80	93
TOTAL BRIDGES	3,455	3,427	3,439	3,443	3,438	3,447	3,447	3,447	3,429	3,406
Percent Change	0.8%	-0.3%	-0.1%	0.1%	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%
Percent Rated Poor ²	4.90	5.60	5.60	5.70	5.90	3.60	5.53	5.48	5.62	6.21

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
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Ten Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:										
General Government	153,470	153,470	161,533	169,970	200,900	226,201	210,576	276,602	288,210	199,967
Business, Community, and Consumer Affairs ¹	640,803	623,742	597,583	604,185	597,182	575,591	585,944	517,447	515,708	508,439
Education	58,819	53,827	51,749	47,926	47,645	39,804	31,999	28,531	19,440	9,396
Health and Rehabilitation	477,717	473,440	498,721	475,010	473,230	465,649	458,959	455,218	420,272	434,469
Justice	525,493	453,320	343,665	412,286	310,555	321,920	463,506	857,026	868,060	850,185
Natural Resources	78,909	74,016	75,134	91,162	78,937	73,375	81,926	65,735	73,546	49,495
Social Assistance	99,256	99,256	110,867	74,451	61,001	51,404	56,881	55,801	34,459	28,963
BUSINESS-TYPE ACTIVITIES:										
Higher Education	1,404,972	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	9,164	9,597	9,642	11,397	11,397	7,517	8,544	18,983	15,318	15,318
Lottery	67,327	67,327	71,104	71,104	71,104	74,104	66,684	59,915	61,682	61,682
Parks and Wildlife	83,036	76,448	76,448	76,448	76,448	79,112	73,064	73,064	15,267	75,944
College Assist	9,396	10,164	10,246	8,825	8,825	8,825	10,139	12,807	12,807	12,807
TOTAL	3,608,362	3,404,097	3,310,007	3,656,279	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.

COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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 Songs – “Where the Columbines Grow” and
“Rocky Mountain High”

State Nickname – Centennial State

State Gemstone – Aquamarine

State Animal – Rocky Mountain Bighorn Sheep

State Grass – Blue Grama Grass

State Bird – Lark Bunting

State Insect – Colorado Hairstreak Butterfly

State Fish – Greenback Cutthroat Trout

State Mineral – Rhodochrosite

State Flower – White and Lavender Columbine

State Reptile – Western Painted Turtle

State Folk Dance – Square Dance

State Amphibian – Western Tiger Salamander

State Fossil – Stegosaurus

State Rock – Yule Marble

State Pet – Shelter and Rescue Dog and Cat

State Tree – Colorado Blue Spruce

State Cactus – Claret Cup





COLORADO
Office of the State Controller
Department of Personnel
& Administration

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B
Forms of Master Indenture, 2018A Supplemental Indenture,
2018A Lease and 2018A Site Lease

[THIS PAGE INTENTIONALLY LEFT BLANK]

After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1200 17th Street, Suite 2400
Denver, Colorado 80202

**STATE OF COLORADO
RURAL COLORADO
MASTER TRUST INDENTURE**

by

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK,
as Trustee

authorizing

State of Colorado
Rural Colorado
Certificates of Participation

Dated as of September 1, 2018

TABLE OF CONTENTS

	Page
Article I SECURITY FOR CERTIFICATES	1
Section 1.01 Trust Estate	1
Section 1.02 Discharge of Indenture.....	2
Section 1.03 Certificates Secured on a Parity Unless Otherwise Provided	2
Section 1.04 Limited Obligations	2
Section 1.05 Certificates Constitute a Contract	3
Article II AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES.....	3
Section 2.01 Authorization, Name and Amount.....	3
Section 2.02 Purpose, Payment, Authorized Denominations and Numbering	3
Section 2.03 Form of Certificates	4
Section 2.04 Execution and Authentication of Certificates	4
Section 2.05 Mutilated, Lost, Stolen or Destroyed Certificates	4
Section 2.06 Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates	5
Section 2.07 Cancellation of Certificates.....	6
Section 2.08 Negotiability	6
Section 2.09 Conditions to Execution and Delivery of Certificates	6
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	7
Article III FUNDS AND ACCOUNTS Section 3.01. Certificate Fund	7
Section 3.02 Capital Construction Fund	10
Section 3.03 State Expense Fund.....	11
Section 3.04 Rebate Fund	12
Section 3.05 Nonpresentment of Certificates	13
Section 3.06 Moneys to be Held in Trust	14
Section 3.07 Repayment to the State from Trustee.....	14
Article IV REDEMPTION OF CERTIFICATES.....	14
Section 4.01 Redemption Provisions Set Forth in Supplemental Indentures	14
Section 4.02 Notice of Redemption	14
Section 4.03 Redemption Payments	15
Section 4.04 Cancellation	15
Section 4.05 Delivery of New Certificates Upon Partial Redemption of Certificates	15
Article V INVESTMENTS.....	15

Section 5.01	Investment of Moneys.....	15
Section 5.02	Tax Certification	16
Article VI CONCERNING THE TRUSTEE.....		16
Section 6.01	Certifications, Representations and Agreements	16
Section 6.02	Duties of the Trustee.....	17
Section 6.03	Maintenance of Existence; Performance of Obligations	19
Section 6.04	Tax Covenant.....	20
Section 6.05	Sale or Encumbrance of Leased Property.....	20
Section 6.06	Rights of Trustee under Leases and Site Leases.....	20
Section 6.07	Defense of Trust Estate.....	20
Section 6.08	Compensation of Trustee	20
Section 6.09	Resignation or Replacement of Trustee.....	20
Section 6.10	Conversion, Consolidation or Merger of Trustee	22
Section 6.11	Intervention by Trustee.....	22
Article VII DEFAULTS AND REMEDIES.....		22
Section 7.01	Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation.....	22
Section 7.02	Remedies of Trustee Upon Material Breach by the State of a Site Lease	23
Section 7.03	Failure to Perform by Trustee.....	23
Section 7.04	Remedies of Owners Upon a Failure to Perform.....	23
Section 7.05	Limitations Upon Rights and Remedies of Owners	23
Section 7.06	Majority of Owners May Control Proceedings.....	24
Section 7.07	Trustee to File Proofs of Claim in Receivership, Etc	24
Section 7.08	Trustee May Enforce Remedies Without Certificates	24
Section 7.09	No Remedy Exclusive.....	24
Section 7.10	Waivers	24
Section 7.11	Delay or Omission No Waiver.....	25
Section 7.12	No Waiver of Default or Breach to Affect Another	25
Section 7.13	Position of Parties Restored Upon Discontinuance of Proceedings	25
Section 7.14	Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price	25
Section 7.15	Use of Moneys Received from Exercise of Remedies.....	26
Article VIII SUPPLEMENTAL INDENTURES		27
Section 8.01	Supplemental Indentures Not Requiring Consent of Owners.....	27
Section 8.02	Supplemental Indentures Requiring Consent of Owners.....	28
Section 8.03	Execution of Supplemental Indenture.....	29
Section 8.04	Amendments of Leases or Site Leases Not Requiring Consent of Owners	29
Section 8.05	Amendments of Leases or Site Leases Requiring Consent of Owners	30

Section 8.06	Execution of Amendment of Lease or Site Lease.....	30
Article IX	MISCELLANEOUS.....	30
Section 9.01	Discharge of Indenture.....	30
Section 9.02	Further Assurances and Corrective Instruments.....	32
Section 9.03	Financial Obligations of Trustee Limited to Trust Estate.....	32
Section 9.04	Evidence of Signature of Owners and Ownership of Certificates.....	32
Section 9.05	Parties Interested Herein.....	32
Section 9.06	Trustee Representative.....	33
Section 9.07	Titles, Headings, Etc.....	33
Section 9.08	Interpretation and Construction.....	33
Section 9.09	Manner of Giving Notices.....	33
Section 9.10	No Individual Liability.....	34
Section 9.11	Events Occurring on Days that are not Business Days.....	34
Section 9.12	Legal Description of Land Included in Leased Property.....	34
Section 9.13	Severability.....	34
Section 9.14	Applicable Law.....	34
Section 9.15	Execution in Counterparts.....	35
APPENDIX A	FORMS OF PROJECT ACCOUNTS REQUISITIONS	
APPENDIX B	GLOSSARY	

**STATE OF COLORADO
RURAL COLORADO
MASTER TRUST INDENTURE**

This State of Colorado Rural Colorado Master Trust Indenture (this “Master Indenture”) is dated as of September 1, 2018, and is executed and delivered by ZB, National Association dba Zions Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the “Trustee”). *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached hereto, as such Glossary is amended, supplemented and restated from time to time.*

RECITALS

This Master Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance Projects. The Certificates evidence undivided interests in the right to receive Lease Revenues. The Certificates will be executed and delivered in Series and Supplemental Indentures will be executed and delivered to provide additional terms applicable to each Series of Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners and the State as follows:

**ARTICLE I
SECURITY FOR CERTIFICATES**

Section 1.01 Trust Estate. The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered this Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth herein all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents:

(a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of each Lease including, but not limited to, the terms of such Lease permitting the existence of Permitted Encumbrances;

(b) all rights, title and interest of the Trustee in, to and under each Lease (other than the Trustee's rights to payment of its fees and expenses under such Lease and the rights of third parties to Additional Rent payable to them under such Lease);

(c) all Base Rent payable pursuant to each Lease;

(d) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price);

(e) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and

(f) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms hereof.

Section 1.02 Discharge of Indenture. If this Master Indenture is discharged in accordance with Section 9.01 hereof, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise this Master Indenture is to be and remain in full force and effect.

Section 1.03 Certificates Secured on a Parity Unless Otherwise Provided. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

Section 1.04 Limited Obligations.

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in accordance with the Act. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly and allocation by the Transportation Commission, in their respective sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 20(4) of Article X of the State Constitution. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

(b) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the

Certificates, the Indenture, any Lease, any Site Lease, or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State or CDOT to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly and CDOT for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

Section 1.05 Certificates Constitute a Contract. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

ARTICLE II AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

Section 2.01 Authorization, Name and Amount. No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Rural Colorado Certificates of Participation, a year and letter that corresponds to the year and letter in the name of the Lease that is entered into in connection with the issuance of such Series of Certificates and, if more than one Series of Certificates are issued at the same time, a dash and a number to distinguish such Series of Certificates from the other Series of Certificates issued at the same time. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

Section 2.02 Purpose, Payment, Authorized Denominations and Numbering.

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the offices of the Trustee, the address of which is set forth in Section 9.09 hereof. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

Section 2.03 Form of Certificates. The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with this Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

Section 2.04 Execution and Authentication of Certificates. The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered hereunder. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Section 2.05 Mutilated, Lost, Stolen or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this

connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Section 2.06 Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates.

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same Series, maturity and interest rate of other Authorized Denominations. The Trustee shall execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise herein provided with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

(f) Notwithstanding any other provision hereof, except as otherwise provided in a Supplemental Indenture with respect to one or more Series of Certificates, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Section 2.07 Cancellation of Certificates. Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

Section 2.08 Negotiability. Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates shall be paid, and the Certificates shall be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

Section 2.09 Conditions to Execution and Delivery of Certificates. No Series of Certificates may be executed and delivered unless each of the following conditions has been satisfied:

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

and are not in conflict with this Master Indenture or any previous Supplemental Indenture.

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

(c) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by Section 9.01 hereof.

(d) The State has certified to the Trustee that (i) the Fair Market Value of all Leased Property, including any Leased Property with respect to such Series of Certificates to be issued pursuant to the Supplemental Indenture, is at least equal to 90% of the principal amount of all Outstanding Certificates and the Series of Certificates to be issued, and (ii) no Event of Default or Event of Nonappropriation exists under any Lease.

(e) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the amount to be deposited into the defeasance escrow account established pursuant to Section 9.01 hereof.

(f) The Trustee has received a written opinion of Bond Counsel to the effect that (i) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act and the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event, and (ii) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform or cause any violation of the covenants set forth in the Indenture.

Section 2.10 Execution and Delivery of Supplemental Indenture, Site Lease, Lease, Amendment to Site Lease, Lease or Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds. If the conditions set forth in Section 2.09 hereof have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Site Lease, any Lease, any amendment to any existing Site Lease, Lease or any defeasance escrow agreement provided to it pursuant to Section 2.09 hereof in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

ARTICLE III FUNDS AND ACCOUNTS SECTION

Section 3.01 Certificate Fund.

(a) ***Creation of Certificate Fund.*** A special fund is hereby created and established with the Trustee to be designated the State of Colorado Rural Colorado Certificates of Participation Certificate Fund (the “Certificate Fund”) and, within such fund, the Interest Account; Principal Account; and the Purchase Option Account, and the Sinking Fund Account.

(b) ***Deposits into Accounts of Certificate Fund.***

(i) ***Deposits into Interest Account.*** There shall be deposited into the Interest Account: (A) accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (B) that portion of each payment of Base Rent by the State which is designated and paid as the interest component of Base Rent under a Lease; (C) any Federal Direct Payment received with respect to the interest component of Base Rent payable by the State under any Lease; (D) any moneys transferred to the Interest Account from the State Expense Fund pursuant to Section 3.03(c) hereof; (E) any moneys transferred to the Interest Account from the Rebate Fund pursuant to Section 3.04(d) hereof; and (F) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account.

(ii) ***Deposits into Principal Account.*** There shall be deposited into the Principal Account: (A) that portion of each payment of Base Rent by the State which is designated and paid as the Amortizing Principal component of Base Rent under a Lease; (B) any moneys transferred to the Principal Account from a Sinking Fund Account pursuant to paragraph (iv) of subsection (c) of this Section; (C) any moneys transferred to the Principal Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (D) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account.

(iii) ***Deposits into Purchase Option Account.*** There shall be deposited into the Purchase Option Account: (A) the State’s Purchase Option Price; (B) any money transferred to the Purchase Option Account from the State Expense Fund pursuant to Section 3.02(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Purchase Option Account.

(iv) ***Deposits into Sinking Fund Accounts.*** There shall be deposited into each Sinking Fund Account (A) that portion of each payment of Base Rent by the State which is designated and paid as the Sinking Fund Principal component of Base Rent under the Lease with the same Series designation as such Sinking Fund Account; (B) any moneys transferred to such Sinking Fund Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into such Sinking Fund Account.

(c) *Use of Moneys in Accounts of Certificate Fund.*

(i) *Use of Moneys in Interest Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Interest Account shall be used solely for the payment of interest on the Certificates, except that:

(A) interest on Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the first interest due on such Series of Certificates;

(C) any moneys other than those described in clause (B) above that are transferred to the Interest Account with specific instructions as to their use shall be used solely in accordance with such instructions;

(D) any moneys remaining in the Interest Account after all the interest payable from the Interest Account on all Certificates has been paid shall be transferred to the Principal Account; and

(E) notwithstanding the foregoing, all moneys in the Interest Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(ii) *Use of Moneys in Principal Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Principal Account shall be used solely for the payment of principal of the Certificates, except that:

(A) principal of Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) except as otherwise provided in clause (A) above, any moneys that are transferred to the Principal Account with specific instructions as to their use shall be used solely in accordance with such instructions; and

(C) notwithstanding the foregoing, all moneys in the Principal Account shall (I) be used in accordance with Section 7.15 hereof

following an Event of Default or Event of Nonappropriation and (II) shall be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iii) *Use of Moneys in Purchase Option Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Purchase Option Account shall be used solely for the payment of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under one or more Leases to purchase a part or all of the Leased Property, except that:

(A) the State's Purchase Option Price paid with respect to a portion (but not all) of the Leased Property subject to a Lease shall be used only to pay the redemption price of Certificates with the same Series designation as such Lease; and

(B) notwithstanding the foregoing, all moneys in the Purchase Option Account shall be used (I) in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iv) *Use of Moneys in Sinking Fund Accounts.* Except as otherwise specifically provided below in this paragraph, moneys in each Sinking Fund Account shall be used solely for the payment of the principal of and the principal portion of the redemption price of Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding the foregoing, (A) moneys remaining in a Sinking Fund Account after payment of the principal of and the principal portion of the redemption price of Certificates with the same Series designation as such Sinking Fund Account shall be transferred to the Principal Account; and (B) all moneys in the Sinking Fund Accounts shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.02 Capital Construction Fund.

(a) *Creation of Capital Construction Fund.* A special fund is hereby created and established with the Trustee to be designated the State of Colorado Rural Colorado Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account, the State Building Project Account, and the Transportation Project Account. The Trustee may establish such additional accounts within the Capital

Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) ***Deposits into Accounts of Capital Construction Fund.***

(i) *Proceeds of Certificates.* Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates.

(ii) *Other Deposits to Accounts.* There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(c) ***Use of Moneys in Costs of Issuance Account.*** Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed in writing by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the State Expense Fund or one or more Project Accounts as directed in writing by the State. Notwithstanding the foregoing, moneys in the Costs of Issuance Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

(d) ***Use of Moneys in Project Accounts.***

(i) Moneys held in the State Building Project Account shall be disbursed to the State to pay, or reimburse it for, costs of State Building Projects for which such State Building Project Account was established upon receipt of a requisition in substantially the applicable form attached hereto as Appendix A, signed by the State Representative.

(ii) Moneys held in the Transportation Project Account shall be disbursed to CDOT to pay, or reimburse it for, costs of Transportation Projects for which such Transportation Project Account was established upon receipt of a requisition in substantially the applicable form attached hereto as Appendix A, signed by the CDOT Representative.

Section 3.03 State Expense Fund.

(a) ***Creation of State Expense Fund.*** A special fund is hereby created and established with the Trustee to be designated as the State of Colorado Rural Colorado Certificates of Participation State Expense Fund (the “State Expense Fund”).

(b) ***Deposits into State Expense Fund.*** There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates,

proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital Construction Fund pursuant to Section 3.02(c) hereof; and (iii) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) ***Use of Moneys in State Expense Fund.***

(i) Moneys held in the State Expense Fund shall be applied by the Trustee as directed in writing by the State to: (A) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Certificates, the Leases, the Indenture, the Site Leases, or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (B) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; and (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund.

(ii) Notwithstanding the foregoing, all moneys in the State Expense Fund shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.04 Rebate Fund.

(a) ***Creation of Rebate Fund.*** A special fund is hereby created and established with the Trustee to be designated the State of Colorado Rural Colorado Rebate Fund (the "Rebate Fund"). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits into Rebate Fund.*** There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) hereof; (ii) all amounts paid by the State pursuant to subsection (e) of this Section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund.*** Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the

amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the appropriate Internal Revenue Service Center. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State has reserved the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund.*** The State, in the Leases, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause an Adverse Tax Event. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State.*** The State has agreed in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

Section 3.05 Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise

required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

Section 3.06 Moneys to be Held in Trust. The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 hereof and the accounts and subaccounts thereof, any other fund or account created hereunder shall be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Section 3.07 Repayment to the State from Trustee. After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee hereunder shall be paid to the State.

ARTICLE IV REDEMPTION OF CERTIFICATES

Section 4.01 Redemption Provisions Set Forth in Supplemental Indentures. The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

Section 4.02 Notice of Redemption.

(a) Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

(b) Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

(c) If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the

Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 4.03 Redemption Payments.

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

(b) The Trustee shall pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

Section 4.04 Cancellation. All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

Section 4.05 Delivery of New Certificates Upon Partial Redemption of Certificates. Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

**ARTICLE V
INVESTMENTS**

Section 5.01 Investment of Moneys.

(a) All moneys held as part of any fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder.

(b) Except as otherwise provided below or by Article III hereof, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments

shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence:

(i) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(ii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose hereunder, investments shall be valued at their Fair Market Value.

Section 5.02 Tax Certification. The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will be a violation of Section 6.04 hereof.

ARTICLE VI CONCERNING THE TRUSTEE

Section 6.01 Certifications, Representations and Agreements. The Trustee certifies, represents and agrees that:

(a) The Trustee (i) is a commercial bank and a national banking association that is duly organized, validly existing and in good standing under the laws of the United States, (ii) is duly qualified to do business in the State, (iii) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Leases, to lease the Leased Property to the State pursuant to the Leases and to execute, deliver and perform its obligations under the Lease, the Indenture and the Site Leases.

(b) The execution, delivery and performance of the Leases, the Indenture and the Site Leases and the ownership of the Leased Property by the Trustee have been duly authorized by the Trustee.

(c) The Leases, the Indenture and the Site Leases have been duly executed and delivered by the Trustee and are valid and binding obligations enforceable against the

Trustee in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(d) The execution, delivery and performance of the Leases, the Indenture the Site Leases and the ownership of the Leased Property by the Trustee does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Trustee, or, except as specifically provided in the Leases, the Indenture, or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Leases, the Indenture, or the Site Leases or to own the Leased Property.

(f) The Trustee acknowledges and recognizes that the Leases will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the Colorado General Assembly to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Colorado General Assembly.

Section 6.02 Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care as a reasonable and prudent person would exercise under the circumstances in the conduct of the affairs of another. Notwithstanding the foregoing, the Trustee shall in all events be liable for damages and injury resulting from its negligence or willful misconduct.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same retained in accordance with the standard of care set forth in subsection (a) of this Section, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and

employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein, in this Master Indenture or any Certificate, Supplemental Indenture, Lease, or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

(d) The Trustee shall not be accountable for the use of any Certificates delivered to the Initial Purchaser thereof. The Trustee may become the Owner of Certificates with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for actions that are in accordance with the standard of care set forth in subsection (a) of this Section.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand in respect of the delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision hereof, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(m) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee hereunder shall be retained by the Trustee until six years after the later of the final payment of the related Series of Certificates.

(n) The Trustee shall deliver written reports to the State within 15 days after the end of each calendar month that include at least the following information: (i) the balance in each fund, account and subaccount created hereunder as of the first day and the last day of such calendar month; (ii) all moneys received by the Trustee during such calendar month, broken down by source, including but not limited to Base Rent, and earnings from the investment moneys held as part of any fund, account or subaccount created hereunder, and by the fund, account or subaccount into which such moneys are deposited; (iii) all disbursements from each fund, account and subaccount created hereunder during such calendar month; and (iv) all transfers to and from each fund, account and subaccount created hereunder during such calendar month.

(o) The Trustee shall notify the State within 10 days after any claim by any Owner or any other Person that any certification, representation or agreement of the Trustee set forth in Section 6.01 hereof is not accurate or complete or that the Trustee has failed to perform any of its duties or obligations under or has failed to comply with any provision of the Indenture, any Lease or any Site Lease.

Section 6.03 Maintenance of Existence; Performance of Obligations.

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates or the State.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases or the Site Leases and any other instrument or other arrangement to which it is a party.

Section 6.04 Tax Covenant. The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property that would result in an Adverse Tax Event. In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

Section 6.05 Sale or Encumbrance of Leased Property. As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

Section 6.06 Rights of Trustee under Leases and Site Leases. The Trustee hereby covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases and the Site Leases. Wherever in any Lease or Site Lease it is stated that the Trustee shall be notified or wherever any Lease or Site Lease gives the Trustee some right or privilege, such part of such Lease or Site Lease shall be as if it were set forth in full in this Master Indenture.

Section 6.07 Defense of Trust Estate. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.08 Compensation of Trustee. During the Lease Term for each Lease, the Trustee shall be entitled to compensation in the form of Additional Rent in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee hereunder.

Section 6.09 Resignation or Replacement of Trustee.

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 90 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Owners.

(c) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than \$50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder, lessor under the Leases and lessee under the Site Leases, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases and the Site Leases, with like effect as if originally named as Trustee herein and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder, as lessor under the Leases and as lessee under the Site Leases and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases and the Site Leases in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous

trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease and/or the Site Leases shall have been filed and/or recorded.

Section 6.10 Conversion, Consolidation or Merger of Trustee. Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Section 6.11 Intervention by Trustee. In any judicial proceeding to which the State is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding and provided indemnification in accordance with Section 6.02(k) hereof.

ARTICLE VII DEFAULTS AND REMEDIES

Section 7.01 Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation. Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease:

(a) the Trustee shall use moneys in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund and any defeasance escrow account) in accordance with Section 7.15(b) hereof;

(b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates

indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a similar event under a similar instrument); and

(c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

Section 7.02 Remedies of Trustee Upon Material Breach by the State of a Site Lease. Upon a material breach by the State of a Site Lease, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a breach of a similar instrument).

Section 7.03 Failure to Perform by Trustee. Any of the following shall constitute a Failure to Perform:

(a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 hereof; and

(c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance (subject to any right to indemnification applicable to the Trustee's compliance with such provision of the Indenture).

Section 7.04 Remedies of Owners Upon a Failure to Perform. Subject to the other provisions of this Article, upon the occurrence of any Failure to Perform, the Owner of any Certificate may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) subject to Section 6.09 hereof, cause the Trustee to be removed and replaced by a successor trustee; and

(c) subject to Section 7.05 hereof, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

Section 7.05 Limitations Upon Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement

of the Leases or the Site Leases unless (a) an Event of Default or Event of Nonappropriation or a breach by the State of a Site Lease has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues enforcing remedies under similar instruments; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

Section 7.06 Majority of Owners May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceeding relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

Section 7.07 Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Section 7.08 Trustee May Enforce Remedies Without Certificates. The Trustee may enforce its rights and remedies under the Leases, the Site Leases and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

Section 7.09 No Remedy Exclusive. No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10 Waivers. The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by the State of a Site Lease and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the

written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Nonappropriation shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default, Event of Nonappropriation or breach by the State of a Site Lease shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee and the Owners and the State shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by the State of a Site Lease or impair any right consequent thereon.

Section 7.11 Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default, Event of Nonappropriation, breach by the State of a Site Lease or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by the State of a Site Lease or Failure to Perform, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 7.12 No Waiver of Default or Breach to Affect Another. No waiver of any Event of Default, Event of Nonappropriation, breach by the State of a Site Lease or Failure to Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by the State of a Site Lease or Failure to Perform or shall impair any rights or remedies consequent thereon.

Section 7.13 Position of Parties Restored Upon Discontinuance of Proceedings. In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

Section 7.14 Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price. Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the State's purchase options set forth in the Leases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash.

Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and this Indenture and the taking of all other courses of action permitted herein or therein.

Section 7.15 Use of Moneys Received from Exercise of Remedies.

(a) Moneys received from the exercise of remedies pursuant to this Article shall be used as follows:

(i) Moneys in the Certificate Fund shall be used, first, to make payments to the Owners of the Certificates pursuant to subsection (b) of this Section.

(ii) Moneys in each Project Account shall be used, first, to pay Costs of the Project payable from such Project Account if and to the extent the Trustee determines that it is in the best interests of the Owners to do so.

(iii) Moneys in the State Expense Fund shall be used, first, to pay costs and expenses described in Section 3.03(c)(i)(A) hereof.

(iv) Moneys in the Certificate Fund, the Project Accounts and the State Expense Fund that are not used pursuant to paragraphs (i), (ii) or (ii) above, moneys in the Costs of Issuance Account of the Capital Construction Fund and all other moneys received from the exercise of remedies pursuant to this Article shall be used in the following order of priority:

(A) *First*, to pay Additional Rent due to third parties other than the Trustee and the State;

(B) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 8.05 of the 2018A Lease and similar provisions of other Leases;

(C) *Third*, to make payments to the Owners in accordance with subsection (b) of this Section; and

(D) *Fourth*, the remainder shall be paid to the State.

(b) Moneys that are available to make payments to the Owners pursuant to subsection (a) of this Section shall be used as follows:

(i) *First*, to pay the unpaid interest, plus interest on past due interest, on the Certificates. If the amount available is not sufficient to pay all such interest, the amount available shall be used to pay interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest

with respect to a particular Interest Payment Date, the amount available shall be used to pay interest (including interest on past due interest) to the Owners in proportion to the amount that would have been paid to them if the amount available had been sufficient.

(ii) *Second*, to pay the unpaid principal of the Certificates. If the amount available is not sufficient to pay all such principal, the amount available shall be used to pay unpaid principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all unpaid principal due on a particular principal payment date, the amount available shall be used to pay unpaid principal to the Owners in proportion to the amount of principal that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(iii) *Third*, to pay an amount equal to the premium, if any, that would have been paid to Owners as a result of the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection. If the amount available is not sufficient to pay all such amounts, the amount available shall be paid to the Owners to which a premium would have been paid in proportion to the amount of premium that would have been paid to them if the amount available had been sufficient.

ARTICLE VIII SUPPLEMENTAL INDENTURES

Section 8.01 Supplemental Indentures Not Requiring Consent of Owners. The Trustee may, with the written consent of the State but without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to amend, modify or restate the Glossary attached hereto in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases;

(b) to add to the covenants and agreements of the Trustee contained in the Indenture other covenants and agreements to be thereafter observed by the Trustee;

(c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if the State certifies in writing that such provisions are necessary or desirable;

- (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases;
- (e) to subject to the Indenture additional revenues, properties or collateral;
- (f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates;
- (g) to effect or facilitate any change to avoid an Adverse Tax Event including, but not limited to, a change to conform to any guidance or regulations promulgated by the United States Internal Revenue Service or the United States Treasury Department that relate to the treatment for federal income tax purposes of any Outstanding or proposed Certificates;
- (h) to effect any other change that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners; or
- (i) to modify any Certificate to conform to any Supplemental Indenture or to any amendment to the Master Indenture, any Supplemental Indenture, any Lease or any Site Lease.

Section 8.02 Supplemental Indentures Requiring Consent of Owners.

- (a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the State and the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing herein contained shall permit, or be construed as permitting:
 - (i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon;
 - (ii) the deprivation as to the Owner of any Certificate Outstanding of the lien created by the Indenture (other than as originally permitted hereby);
 - (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or
 - (iv) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture.
- (b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause

notice of the proposed execution and delivery of such Supplemental Indenture to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 8.03 Execution of Supplemental Indenture. Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Act and will not cause an Adverse Tax Event.

Section 8.04 Amendments of Leases or Site Leases Not Requiring Consent of Owners. The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease or Site Lease, as the State determines is required:

- (a) by the provisions of the Leases, the Indenture or the Site Leases;
- (b) for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture or the Site Leases;
- (c) in order more precisely to identify the Leased Property; or
- (d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases or the Site Leases;
- (e) in connection with the execution and delivery of any Series of Certificates;
- (f) in connection with the redemption of any Certificates;
- (g) in connection with any Supplemental Indenture permitted by this Article;

(h) to effect any change in any Lease or Site Lease for any purpose for which a Supplemental Indenture may be executed and delivered pursuant to Section 8.01 hereof;

(i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not cause an Adverse Tax Event;

(j) to effect any other change in any Lease or Site Lease that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners.

Section 8.05 Amendments of Leases or Site Leases Requiring Consent of Owners.

Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of any Lease or Site Lease without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as provided in Section 8.02 hereof. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease or Site Lease, the Trustee shall, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

Section 8.06 Execution of Amendment of Lease or Site Lease. As a condition to executing any amendment to any Lease or Site Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease or Site Lease, as applicable, and will not cause an Adverse Tax Event.

**ARTICLE IX
MISCELLANEOUS**

Section 9.01 Discharge of Indenture.

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to

this Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid (“defeased”) within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise in accordance with the provisions of Article IV hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer of such Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this Section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not cause an Adverse Tax Event.

(d) In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee, at the expense of the State, may institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

Section 9.02 Further Assurances and Corrective Instruments. So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be requested by the State for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

Section 9.03 Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under the Indenture, except those resulting from a violation of the standard of care set forth in Section 6.02(a) hereof shall be payable solely from the Trust Estate.

Section 9.04 Evidence of Signature of Owners and Ownership of Certificates.

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Section 9.05 Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

Section 9.06 Trustee Representative. Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

Section 9.07 Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.08 Interpretation and Construction. This Master Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Master Indenture. For purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Master Indenture to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Master Indenture. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

Section 9.09 Manner of Giving Notices. All notices, certificates or other communications under the Indenture shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us; if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: Jeffrey.sudmeier@state.co.us; and if to the Trustee, to ZB, National Association dba Zions Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com. Any notice party may,

by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.10 No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 9.11 Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

Section 9.12 Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to the 2018A Lease is set forth in Appendix B to the Series 2018A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2018A Lease, legal descriptions of the land included in such additional Leased Property will be set forth in such Lease and in the Supplemental Indenture with the same Series designation as such Lease. If the land included in the Leased Property subject to a Lease is modified pursuant to the terms of such Lease or other land is substituted for land included in Leased Property subject to any Lease pursuant to the terms of such Lease, the legal descriptions set forth in the applicable Supplemental Indenture will be amended to describe the land included in such Leased Property after such modification or substitution.

Section 9.13 Severability. In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.14 Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated in the Indenture by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of

execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 9.15 Execution in Counterparts. This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Trustee has executed this Master Indenture as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA
ZIONS BANK, as Trustee

By _____
Authorized Signatory

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of September, 2018, by Stephanie Nicholls as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

Notary Public

My commission expires:

APPENDIX A

FORM OF STATE BUILDING PROJECT ACCOUNT REQUISITION

ZB, National Association dba Zions Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

**State of Colorado
Rural Colorado
Master Trust Indenture
dated as of September 1, 2018**

Ladies and Gentlemen:

This State Building Project Account Requisition is delivered by the State of Colorado, acting by and through the State Treasurer (the “State”), to ZB, National Association dba Zions Bank in its capacity as trustee (the “Trustee”) under the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as it may be supplemented or amended from time-to-time by a Supplemental Indenture or otherwise (the “Indenture”). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

The State, in accordance with the Indenture, hereby requisitions the dollar amount described below from the State Building Project Account identified below to pay, or reimburse the State for the payment of costs of the State Building Project for which such State Building Project Account was established.

The State represents that:

1. If this Requisition is the first requisition for a withdrawal from the State Building Project Account, the Trustee has previously received, or this Requisition is accompanied by a standard leasehold title insurance policy, an amendment or supplement to a previously issued standard leasehold title insurance policy or a commitment to issue such a policy, amendment or supplement, which, when considered together with policies or amendments or supplements to policies previously received by the Trustee, insure(s) the Trustee’s interest in the real estate included in the Leased Property leased to the State, and if all or any portion of the Trustee’s title to the real estate included in such Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of (a) the Fair Market Value of the Leased Property or (b) the amount resulting from multiplying (i) the principal amount of the Series of Certificates from which proceeds have been deposited into the State Building Project Account and the Transportation Project Account, *times* (ii) a fraction, (A) the numerator of which is the amount of proceeds of such Series of Certificates and Allocated Investment Earnings deposited into the State Building Project Account and the Transportation Project Account and (B) the denominator of which is the total amount of proceeds of such Series of Certificates deposited into all Project Accounts.

2. The total amount withdrawn from the State Building Project Account pursuant to this Requisition and all previous requisitions does not exceed the amount of proceeds of Certificates and Allocated Investment Earnings deposited into the State Building Project Account pursuant to the Indenture.

3. No Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: _____

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

The undersigned hereby certifies that he/she is the State Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

STATE OF COLORADO, ACTING BY AND
THROUGH THE STATE TREASURER

By _____
[Title]

Date: _____

FORM OF TRANSPORTION PROJECT ACCOUNT REQUISITION

ZB, National Association dba Zions Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

State of Colorado
Rural Colorado
Master Trust Indenture
dated as of September 1, 2018

Ladies and Gentlemen:

This Transportation Project Account Requisition is delivered by the Colorado Department of Transportation (“CDOT”), acting by and through the State Treasurer (the “State”), to ZB, National Association Zions Bank in its capacity as trustee (the “Trustee”) under the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as it may be supplemented or amended from time-to-time by a Supplemental Indenture or otherwise (the “Indenture”). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

CDOT, in accordance with the Indenture, hereby requisitions the dollar amount described below from the Transportation Project Account identified below to pay, or reimburse it for the payment of, costs of the Transportation Projects for which such Transportation Project Account was established.

CDOT represents that:

1. If this Requisition is the first requisition for a withdrawal from the Transportation Project Account, the Trustee has previously received, or this Requisition is accompanied by a standard leasehold title insurance policy, an amendment or supplement to a previously issued standard leasehold title insurance policy or a commitment to issue such a policy, amendment or supplement, which, when considered together with policies or amendments or supplements to policies previously received by the Trustee, insure(s) the Trustee’s interest in the real estate included in the Leased Property leased to the State, and if all or any portion of the Trustee’s title to the real estate included in such Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of (a) the Fair Market Value of the Leased Property or (b) the amount resulting from multiplying (i) the principal amount of the Series of Certificates from which proceeds have been deposited into the Transportation Project Account and the State Building Project Account, *times* (ii) a fraction, (A) the numerator of which is the amount of proceeds of such Series of Certificates deposited into the Transportation Project Account and the State Building Project Account and (B) the denominator of which is the total amount of proceeds of such Series of Certificates

deposited into all Project Accounts.

2. The total amount withdrawn from the Transportation Project Account pursuant to this Requisition and all previous requisitions does not exceed the amount of proceeds of Certificates deposited into the Transportation Project Account pursuant to the Indenture.

3. No Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: _____

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:

The undersigned hereby certifies that he/she is the CDOT Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

COLORADO DEPARTMENT OF
TRANSPORTATION:

By _____
[Title]

Date: _____

APPENDIX B

GLOSSARY

“*Act*” means part 13 of article 82 of title 24, C.R.S., as it may be amended from time to time.

“*Additional Rent*” means (a) when used with respect to amounts payable by the State pursuant to the 2018A Lease, the costs and expenses incurred by the State in performing its obligations under the 2018A Lease other than its obligations with respect to Base Rent and the State’s Purchase Option Price; and (b) when used with respect to amounts payable by the State pursuant to any other Lease, similar costs and expenses.

“*Adverse Tax Event*” means an event that would cause interest on any of the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on such corporations).

“*Amortizing Principal*” means the payments of Base Rent by the State pursuant to a Lease that are designated and paid as Amortizing Principal under such Lease.

“*Authorized Denominations*” means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

“*Base Rent*” means the amounts designated and paid as Base Rent under a Lease.

“*Base Rent Payment Date*” means, one of the dates in the “Base Rent Payment Date” column in the Exhibit to such Lease that includes the schedule for payment of Base Rent payable pursuant to such Lease.

“*Bond Counsel*” means (a) as of the date of execution and delivery of the Series 2018A Certificates, Greenberg Traurig, LLP, and (b) as of any other date, Greenberg Traurig, LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities.

“*Business Day*” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

“*Capital Construction Fund*” means the special fund created by Section 3.02 of the Master Indenture.

“*CDOT*” means the Colorado Department of Transportation.

“*CDOT Representative*” means the Chief Financial Officer of CDOT.

“*Certificate Fund*” means the special fund created by Section 3.01 of the Master

Indenture.

“*Certificates*” means all the certificates executed and delivered pursuant to the Master Indenture.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

“*Costs of Issuance*” means costs incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, the Indenture, the Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects prior to the last Completion Date for a Project that is financed with the proceeds of such Certificates, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants’ fees and recording and filing fees.

“*Costs of Issuance Account*” means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

“*C.R.S.*” means Colorado Revised Statutes, as amended.

“*Defeasance Securities*” means Permitted Investments which are:

- (a) cash;
- (b) U.S. Treasury Certificates, 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, including CATS, TIGRS and similar securities;
- (d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) pre-refunded municipal bonds 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 which are backed by the full faith and credit of the United States are pledged for the payment of principal and interest:

- (i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;
- (ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;
- (iii) Federal Financing Bank;
- (iv) General Services Administration participation certificates;
- (v) U.S. Maritime Administration Guaranteed Title XI financing;
- (vi) U.S. Department of Housing and Urban Development (HUD):
 - (A) Project Notes;
 - (B) Local Authority Bonds;
 - (C) New Communities Debentures—U.S. government guaranteed debentures; and
 - (D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

“*Event of Default*” means (a) when the term is used in the 2018A Lease or is used to refer to an event occurring under the 2018A Lease, an event described in Section 10.01 of the 2018A Lease; (b) when the term is used in a Site Lease with respect to Leased Property subject to the 2018A Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 10.01 of such Site Lease; (c) when the term is used in any other Lease, Site Lease or is used to refer to an event occurring under any other Lease or the Site Lease, any event similar to an event described in clause (a) or (b) of this definition; and (d) when the term is used in the Indenture, an Event of Default under the 2018A Lease or any other Lease.

“*Event of Nonappropriation*” means (a) when the term is used in the 2018A Lease or is used to refer to an event occurring under the 2018A Lease, an event described in Section 4.04(b) of the 2018A Lease; (b) when the term is used in any other Lease or is used to refer to an event occurring under any other Lease, any similar event; and (c) when the term is used in the Indenture, an Event of Nonappropriation under the 2018A Lease or any other Lease.

“*Failure to Perform*” is defined in Section 7.03 of the Master Indenture.

“*Fair Market Value*” means:

- (a) the value of the land included in the Leased Property as estimated by the State in the Site Lease pursuant to which such property is leased to the Trustee, *plus* the replacement value of such property determined by an insurer providing casualty and property damage for such property;

(b) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy property in an arm's length transaction; and

(c) if Fair Market Value is being determined for a portion of the property for which a value is determined pursuant to clauses (a) and/or (b), the State's determination as to the amount of the value determined pursuant to clauses (a) and/or (b) that is allocable to the portion of the property for which Fair Market Value is being determined shall be conclusive and binding on all Persons.

"Fiscal Year" means the State's fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

"Force Majeure" means any event that is not within the control of the State, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

"General Assembly" means the State of Colorado General Assembly.

"Glossary" means this Glossary as it may be amended, supplemented or restated from time to time.

"Indenture" means the Master Indenture and all Supplemental Indentures, collectively.

"Initial Purchaser" means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

"Initial Term" means, with respect to each Lease, the period commencing on the date the Lease is executed and delivered (unless a different commencement date is specifically set forth in such Lease) and ending on the following June 30.

"Interest Account" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"Interest Payment Date" means, with respect to the Series 2018A Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, June 15 and December 15, commencing June 15, 2019.

"Land" means (a) with respect to the land included in the Leased Property subject to the 2018A Lease, the land described in exhibits to the 2018A Site Lease and the 2018A Lease, subject to the terms of the 2018A Site Lease and the 2018A Lease relating to modifications and substitutions of Leased Property; and (b) with respect to the land included in the Leased Property subject to any other Lease or Site Lease, the land described in the such Lease or Site Lease on the date such Lease or Site Lease is executed and delivered, subject to the terms of such Lease or Site Lease relating to modifications and substitutions of Leased Property.

“*Lease*” means the 2018A Lease and any other lease purchase agreement entered into by the State pursuant to the Act and in connection with a Supplemental Indenture, revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates.

“*Lease Revenues*” means, (a) with respect to the 2018A Lease (i) the Base Rent; (ii) the State’s Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State’s Purchase Option Price pursuant to a Lease); (iii) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (iv) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto.

“*Lease Term*” means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of the 2018A Lease and any similar provision of any other Lease.

“*Leased Property*” means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the State to the Trustee pursuant to such Site Lease; (c) when the term is used together with a possessive reference to a particular Site, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased by such State under a Site Lease; and (d) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

“*Master Indenture*” means the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018 by the Trustee, as it may be supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

“*Moody’s*” means Moody’s Investor Service, Inc. and its successors and assigns.

“*Net Proceeds*” means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event minus any expenses incurred in connection with the collection of such gross proceeds.

“*Opinion of Counsel*” means a written opinion of legal counsel, who may be counsel to the Trustee.

“*Outstanding*” means all Certificates which have been executed and delivered, except:

- (a) Certificates canceled or which 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.

“*Permitted Encumbrances*” means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 6.02(b) of the 2018A Lease or any similar provision of any other Lease; (b) the Leases, the Indenture, and the Site Leases; (c) easements, licenses, rights-of-way, rights and privileges, reversion clause, use or other restrictions and exceptions which a State Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted pursuant to Section 6.03 of the 2018A Lease or any similar provision of any other Lease; (d) any financing statements filed with respect to the Trustee’s interest in the Leased Property, the Leases, or the Site Leases; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; and (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not materially impair title to the Leased Property.

“*Permitted Investments*” means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under C.R.S. § 24-75-601.1 or any successor thereto.

“*Person*” means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

“*Principal Account*” means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

“*Projects*” means, collectively the State Building Projects and the Transportation Projects.

“*Project Accounts*” means, collectively, the State Building Project Account and the Transportation Project Account.

“*Property Damage, Defect or Title Event*” means one of the following events: (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (c) a breach of warranty or any material defect with respect to any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

“*Purchase Option Account*” means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

“*Rating Agency*” means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody’s, but only if Moody’s then maintains a rating on any Outstanding Certificates at the request of the State.

“*Rebate Fund*” means the special fund created by Section 3.04 of the Master Indenture.

“*Record Date*” means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

“*Renewal Term*” means, with respect to each Lease, each twelve-month period, commencing on July 1 of each year and ending on June 30 of such year, for which the State renews a Lease Term after the Initial Term of such Lease.

“*Rent*” means Base Rent and Additional Rent, collectively.

“*Requirement of Law*” means any federal, state or local statute, indenture, rule or regulation, any judicial or administrative order (including any such consent order), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

“*S&P*” means S&P Global Ratings, and its successors and assigns.

“*Scheduled Lease Term*” means the period that begins on the first day of the Initial Term of a Lease and ends on (a) in the case of the 2018A Lease, the date described in Section 3.01(b)(i) of the 2018A Lease and (b) in the case of any other Lease, the date described in any similar provisions of that Lease.

“*Scheduled Site Lease Term*” means the period that begins on the first day of the Site

Lease Term of a Site Lease and ends on (a) in the case of a Site Lease pursuant to which Leased Property is leased to the Trustee that is leased by the State pursuant to the 2018A Lease, the date described in Section 3.01(a)(i) of such Site Lease and (b) in the case of any other Site Lease, the date described in any similar provision of that Site Lease.

“*Series*” means, (a) when used to refer to any series of Certificates, a series of Certificates authorized by and named in a Supplemental Indenture; and (b) when used to refer to a Lease, Sinking Fund Account or any other term with a series designation, the Lease, Sinking Fund Account or other term identified by a series designation. If the name of more than one Series of Certificates or Sinking Fund Accounts includes the same year and letter, (i) the letter in the Series name for such Series of Certificates or Sinking Fund Account shall be followed by a dash and a number in order to distinguish it from other Series of Certificates or Sinking Fund Accounts with the same year and letter in its name; (ii) references to Certificates by a year and letter shall include all Series of Certificates the name of which includes the same year and letter; and (iii) references to the Lease “with the same Series designation” as a Series of Certificates or Sinking Fund Account shall mean the Lease the name of which includes the same year and letter as such Series of Certificates or Sinking Fund Account.

“*Series 2018A Certificates*” means the Series of Certificates authorized by the Series 2018A Supplemental Indenture.

“*Series 2018A Sinking Fund Account*” means the Sinking Fund Account created for the payment of the Series 2018A Certificates by Section 3.01 of the Master Indenture.

“*Series 2018A Sinking Fund Principal*” means the payments of Base Rent by the State pursuant to the 2018A Lease that are designated and paid as Series 2018A Sinking Fund Principal under the 2018A Lease.

“*Series 2018A Supplemental Indenture*” means the State of Colorado Rural Colorado Series 2018A Supplemental Trust Indenture dated as of September 1, 2018 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

“*Sinking Fund Account*” means one of the special accounts of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture. The name of each Sinking Fund Account shall include the same Series designation as the Series of Certificates for which it is established.

“*Sinking Fund Principal*” means the payments of Base Rent by the State that are designated in the Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

“*Site Lease*” means a site lease pursuant to which the State has leased Leased Property to the Trustee, as amended or supplemented from time-to-time, including the 2018A Site Lease.

“*Site Lease Term*” means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of each of the Site Leases with respect to the Leased Property that is subject to the 2018A Lease and any similar provision of any other Site Lease.

“*Special Record Date*” means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

“*State*” means (a) when used with respect to a party to a Lease or any other document, the State of Colorado, acting by and through the State Treasurer; and (b) when used in any other context, the State of Colorado including CDOT and all other departments and agencies of the State.

“*State Building Project*” means a capital construction project as described in Section 24-82-1303(4)(a) C.R.S., as amended.

“*State Building Project Account*” means an account of the Capital Construction Fund that is to be used to fund a State Building Project.

“*State Expense Fund*” means the special fund created by Section 3.03 of the Master Indenture.

“*State Representative*” means the (a) the State Treasurer; (b) the Deputy State Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, and the Site Leases.

“*State’s Purchase Option Price*” means (a) when the term is used to refer to the State’s Purchase Option Price under the 2018A Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the 2018A Lease pursuant to Section 7.01 of the 2018A Lease; and (b) when the term is used to refer to the State’s Purchase Option Price under any other Lease, the amount that the State must pay to purchase the interest of the Trustee all the Leased Property subject to such Lease or a portion of the Leased Property subject to such Lease, as applicable, pursuant to any similar provision(s) of that Lease.

“*Supplemental Indenture*” means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

“*Transportation Commission*” means the State of Colorado Transportation Commission created by Section 43-1-106, C.R.S.

“*Transportation Project*” means a highway construction project as described in Section 24-82-1303(4)(b), C.R.S., and Section 43-3-206(1)(b)(v), C.R.S.

“*Transportation Project Account*” means an account of the Capital Construction Fund that is to be used to fund a Transportation Project.

“*Trust Bank*” means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“*Trust Estate*” means the property placed in trust by the Trustee pursuant to Section 1.01

of the Master Indenture.

“*Trustee*” means ZB, National Association dba Zions Bank, acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“*Trustee Representative*” means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Leases, the Indenture, and the Site Leases by a written certificate furnished to the State Treasurer containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the State Treasurer.

“*2018A Lease*” means the State of Colorado Rural Colorado Series 2018A Lease Purchase Agreement dated as of September 1, 2018 between the Trustee and the State, as amended or supplemented from time to time.

“*2018A Leased Property*” means the Leased Property subject to the 2018A Lease and the 2018A Site Lease.

“*2018A Projects*” means the Projects financed with proceeds of the Series 2018A Certificates.

“*2018A Site Lease*” means the Site Lease between the Trustee and the State dated as of September 1, 2018, as amended or supplemented from time to time.

Separator Sheet

**STATE OF COLORADO
RURAL COLORADO
SERIES 2018A SUPPLEMENTAL TRUST INDENTURE**

by

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK
as Trustee

authorizing

**State of Colorado
Rural Colorado
Certificates of Participation
Series 2018A**

Dated as of September 1, 2018

TABLE OF CONTENTS

Page

ARTICLE I
SERIES 2018A CERTIFICATES

Section 1.01.	Authorization and Name.....	1
Section 1.02.	Principal Amounts, Dated Dates, Maturity Dates and Interest.....	1
Section 1.03.	Redemption.....	2
Section 1.04.	Form of Certificates.....	4

ARTICLE II
SEPARATE ACCOUNTS AND SUBACCOUNTS

Section 2.01.	Creation of Separate Accounts and Subaccounts.....	4
Section 2.02.	Additional Subaccounts.....	4

ARTICLE III
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

ARTICLE IV
MISCELLANEOUS

Section 4.01.	Titles, Headings, Etc.....	4
Section 4.02.	Interpretation and Construction.....	5
Section 4.03.	Legal Description of Land Included in Leased Property.....	5
Section 4.04.	Execution in Counterparts.....	5
Section 4.05.	Incorporation of Provisions of Master Indenture.....	5

APPENDIX A FORM OF SERIES 2018A CERTIFICATE

APPENDIX B LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED
PROPERTY SUBJECT TO THE 2018A LEASE

**STATE OF COLORADO
RURAL COLORADO
SERIES 2018A SUPPLEMENTAL TRUST INDENTURE**

This State of Colorado Rural Colorado Series 2018A Supplemental Trust Indenture (this “Series 2018A Supplemental Indenture”) is dated as of September 1, 2018, and is executed and delivered by, ZB, National Association dba Zions Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the “Trustee”). *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as such Glossary may be further amended, supplemented and restated from time to time.*

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2018A Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2018A Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

**ARTICLE I
SERIES 2018A 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 2018A Supplemental Indenture: State of Colorado Rural Colorado Certificates of Participation, Series 2018A.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The aggregate principal amount of the Series 2018A Certificates shall not exceed \$500,000,000.

(b) The Authorized Denominations of the Series 2018A Certificates are \$5,000 and any integral multiple thereof.

(c) The Series 2018A Certificates executed and delivered on the date the Series 2018A 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 2018A Certificate executed and delivered upon transfer and exchange of another Series 2018A 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 2018A 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 2018A Certificate shall bear interest from the date the Series 2018A Certificates are first executed and delivered.

(d) Interest on the Series 2018A Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(e) The Series 2018A Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

<u>Maturity Date</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2018	\$21,650,000	1.840%
2019	15,875,000	3.500
2020	16,480,000	4.000
2021	17,240,000	5.000
2022	18,125,000	5.000
2023	19,055,000	5.000
2024	20,030,000	5.000
2025	21,060,000	5.000
2026	22,140,000	5.000
2027	23,275,000	5.000
2028	24,465,000	5.000
2029	25,720,000	5.000
2030	200,000	3.000
2030	26,840,000	5.000
2031	28,425,000	5.000
2032	325,000	3.250
2032	29,555,000	5.000
2033	31,245,000	4.000
2034	8,000,000	3.500
2034	24,505,000	4.000
2035	27,890,000	4.000
2035	5,950,000	5.000
2036	7,000,000	3.625
2036	28,235,000	4.000
2037	26,715,000	4.000
2037	10,000,000	5.000

Section 1.03. Redemption.

(a) *Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.* The Series 2018A 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 2018A 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 2018A 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 2018A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate. **The payment of the redemption price of any Series 2018A 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 2018A Certificate and such other Certificate, and no Owner of any such Series 2018A Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, promptly upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2018A 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 2018A 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 2018A Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) promptly pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases; (bb) subject to the applicable provisions of the Indenture, promptly begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Optional Redemption.*** The Series 2018A Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after December 15, 2028, at a redemption price equal to the principal amount of the

Series 2018A Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Section 1.04. Form of Certificates. The Series 2018A 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 2018A Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE II SEPARATE ACCOUNTS AND SUBACCOUNTS

Section 2.01. Creation of Separate Accounts and Subaccounts. The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to the Series 2018A Certificates, the proceeds of the Series 2018A 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 2018A designation. The following are the separate accounts and subaccounts to be created:

- (a) separate subaccounts of the State Building Project Account and the Transportation Project Account;
- (b) separate accounts of the State Expense Fund and the Rebate Fund; and
- (c) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

Section 2.02. Additional Subaccounts. In order to account for Lease Revenues paid by the State and paid by CDOT, the Trustee may establish subaccounts within the subaccount of the Interest Account for the Series 2018A Certificates and the subaccount of the Principal Account for the Series 2018A Certificates.

ARTICLE III CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2018A Supplemental Indenture as if set forth in full herein.

ARTICLE IV MISCELLANEOUS

Section 4.01. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Series 2018A Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 4.02. Interpretation and Construction. This Series 2018A 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 2018A Supplemental Indenture. For purposes of this Series 2018A Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2018A 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 2018A Supplemental Indenture. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Series 2018A Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities and subject to statutory exceptions and modifications, as in effect from time to time.

(c) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(d) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

Section 4.03. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to the 2018A Lease is set forth in Appendix B hereto. If the land included in the Leased Property subject to the 2018A Lease is modified pursuant to the terms of the 2018A Lease or other land is substituted for land included in the Leased Property subject to the 2018A Lease pursuant to the terms of the 2018A 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 2018A Lease after such modification or substitution.

Section 4.04. Execution in Counterparts. This Series 2018A Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.05. Incorporation of Provisions of Master Indenture. This Series 2018A Supplemental Indenture shall form a part of the Master Indenture and all the terms contained herein shall be deemed to be a part of the Master Indenture and all terms of the Master Indenture shall be deemed to be a part of this Series 2018A Supplemental Indenture.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2018A Supplemental Indenture as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA ZIONS BANK, as Trustee

By _____
Authorized Signatory

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of September, 2018 by _____, 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 2018A CERTIFICATE

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Trustee or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner thereof, Cede & Co., has an interest herein.

No. R-1 \$ _____

**STATE OF COLORADO
RURAL COLORADO
CERTIFICATE OF PARTICIPATION
SERIES 2018A**

Interest Rate	Maturity Date	Delivery Date	CUSIP
%	_____, 20__	_____, 2018	_____

REGISTERED OWNER: ****CEDE & CO.****

PRINCIPAL SUM: ****** _____ ******

THIS CERTIFIES THAT the registered owner specified above, or registered assigns, has an undivided interest in rights to receive certain amounts payable by the State of Colorado (the “State”) under the State of Colorado Rural Colorado Series 2018A Lease Purchase Agreement dated September 1, 2018, and any other Rural Colorado Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the “Leases”) by and between ZB, National Association dba Zions Bank, Denver, Colorado, in its capacity as trustee under the Indenture (the “Trustee”), as lessor, and the State, acting by and through the State Treasurer, as lessee. The interest of the registered owner of this certificate is secured as provided in the RURAL COLORADO Master Trust Indenture dated as of September 1, 2018 (the “Master Indenture”) by the Trustee, as amended and supplemented by the State of Colorado Rural Colorado Series 2018A Supplemental Indenture dated as of September 1, 2018 (the “Series 2018A Supplemental Indenture”). The Master Indenture, as amended and supplemented by the Series 2018A Supplemental Indenture, is referred to as the “Indenture”. Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the Leases have been placed in trust for the benefit of the registered owners (the “Owners”) of the State of Colorado Rural Colorado Certificates of Participation Series 2018A (the “Series 2018A Certificates”) and other Certificates issued pursuant to the Indenture (collectively, “Certificates”) evidencing undivided interests in the right to receive amounts payable by the State under the

Leases. Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the Master Indenture, as such Glossary may be amended, supplemented and restated from time to time.

Payment of Principal and Interest

The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest at the interest rate set forth above is payable each June 15 and December 15, commencing December 15, 2018 (each, an “Interest Payment Date”), by check or draft of the Trustee mailed on or before such Interest Payment Date to the Owner of this certificate at its address as it last appears on the registration records of the Trustee at the close of business on the Record Date, which is the first day of the calendar month in which such interest is payable (whether or not a Business Day). Any such interest not so timely paid shall cease to be payable to the person who is the Owner of this certificate at the close of business on the Record Date and shall be payable to the person who is the Owner of this certificate at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the Owners of the Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee’s registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of this certificate and the Trustee.

Base Rent and Additional Rent; Termination of Leases

Under the Leases, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the Leases, to pay directly to the Trustee Base Rent in consideration for its right to use the Leased Property, which Base Rent is part of the Trust Estate. In addition to the Base Rent, the State has agreed, subject to the terms of the Leases, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the Leases other than its obligations with respect to Base Rent and the State’s Purchase Option Price.

The Lease Term of each Lease is the Initial Term commencing on the date such Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of each Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with such Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property subject to such Lease by the State pursuant to such Lease; or (d) termination of such Lease following an Event of Default in accordance such Lease.

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

Redemption of Series 2018A Certificates

Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default. The Series 2018A 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 2018A 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 2018A 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 2018A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease in proportion to the principal amount of each such Certificate. **The payment of the redemption price of any Series 2018A 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 2018A Certificate and such other Certificate, and no Owner of any such Series 2018A Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, promptly upon the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2018A 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 2018A 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 2018A Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) promptly pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Leases; (bb) subject to the applicable provisions of the Indenture, promptly begin to exercise and diligently pursue all appropriate remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

Optional Redemption. The Series 2018A Certificates are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations from the remaining maturities bearing interest at the same interest rate designated by the State and by lot within any remaining maturity bearing interest at the same interest rate designated for redemption, on any date on and after December 15, 2018, at a redemption price equal to the principal amount of the Series 2018A Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Notice of Redemption. Notice of the call for any redemption, identifying the Series 2018A Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2018A Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2018A Certificates called for redemption, which moneys are or will be available for redemption of Series 2018A Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Supplements to Indenture

The Indenture permits supplements to the Indenture by the Trustee with the approval of the State and the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Trustee to execute supplements to the Indenture with the consent of the State but without the consent of the Owners of the Certificates for certain purposes, including, without limitation, the execution and delivery of additional Series of Certificates.

Amendments of Leases and Site Leases

The Indenture permits amendments to the Leases or the Site Leases with the approval of the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting amendments to the Leases or the Site Leases without the consent of the Owners of the Certificates for certain purposes, including without limitation, the execution and delivery of additional Series of Certificates.

Additional Certificates

The Master Indenture permits the execution and delivery of additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Series of Certificates.

Miscellaneous

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THIS CERTIFICATE AND THE TRUSTEE. THIS CERTIFICATE IS ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, IS SUBJECT IN ALL RESPECTS TO THE TERMS OF THE INDENTURE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THIS CERTIFICATE.

No provision of the Certificates, the Indenture, any Lease, or any other document or instrument shall be construed or interpreted (a) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

This certificate is issued with the intent that the laws of the State of Colorado shall govern its legality, validity, enforceability and construction.

This certificate shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture, unless it shall have been manually signed on behalf of the Trustee.

IN WITNESS WHEREOF, this certificate has been executed with the manual signature of an authorized signatory of the Trustee as of the date specified above.

ZB, NATIONAL ASSOCIATION DBA
ZIONS BANK, as Trustee

By _____
Authorized Signatory

ASSIGNMENT

(The Trustee may require the payment, by the Owner of any certificate requesting transfer, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such transfer.)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within certificate on the records kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by a Member of a Medallion Signature Program:

Address of transferee:

Social Security or other tax identification number of transferee:

APPENDIX B

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY
SUBJECT TO THE 2018A LEASE**

Separator Sheet

After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1200 17th Street, Suite 2400
Denver, Colorado 80202

**STATE OF COLORADO
RURAL COLORADO
SERIES 2018A 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 September 1, 2018

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee..... 1
Section 1.02. Certifications, Representations and Agreements by State 1

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause 4
Section 2.02. Enjoyment of Leased Property..... 4

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term..... 4
Section 3.02. Effect of Termination of Lease Term 4

ARTICLE IV

RENT; EVENT OF NONAPPROPRIATION

Section 4.01. Base Rent 5
Section 4.02. Additional Rent..... 6
Section 4.03. Unconditional Obligations 6
Section 4.04. Event of Nonappropriation 6
Section 4.05. Limitations on Obligations of the State 7

ARTICLE V

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 5.01. Taxes, Utilities and Insurance..... 9
Section 5.02. Maintenance and Operation of Leased Property..... 10

ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS,
MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property..... 10
Section 6.02. Limitations on Disposition of and Encumbrances on Leased
Property..... 10
Section 6.03. Granting of Easements..... 11
Section 6.04. Modification of Leased Property 11
Section 6.05. Substitution of Other Property for Leased Property 11
Section 6.06. Property Damage, Defect or Title Event..... 12
Section 6.07. Condemnation by State 13

Section 6.08.	Personal Property of the State.....	13
---------------	-------------------------------------	----

ARTICLE VII

STATE’S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE
TERM

Section 7.01.	State’s Option to Purchase All Leased Property in Connection with Defeasance of Series 2018A Certificates.....	13
Section 7.02.	[Reserved].....	14
Section 7.03.	Conveyance of Leased Property	14
Section 7.04.	Conveyance of Leased Property to State at End of Scheduled Lease Term.....	14

ARTICLE VIII

GENERAL COVENANTS

Section 8.01.	Further Assurances and Corrective Instruments.....	15
Section 8.02.	Compliance with Requirements of Law	15
Section 8.03.	Participation in Legal Actions	15
Section 8.04.	Tax Covenant of the State.....	16
Section 8.05.	Payment of Fees and Expenses of the Trustee.....	16
Section 8.06.	Payments to Rebate Fund; Rebate Calculations	16
Section 8.07.	Investment of Funds.....	16

ARTICLE IX

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 9.01.	Disclaimer of Warranties	17
Section 9.02.	Financial Obligations of Trustee Limited to Trust Estate.....	17

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01.	Events of Default Defined	17
Section 10.02.	Remedies on Default.....	18
Section 10.03.	Limitations on Remedies	19
Section 10.04.	No Remedy Exclusive.....	19
Section 10.05.	Waivers	19

ARTICLE XI

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01.	Trustee’s Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee	20
----------------	--	----

Section 11.02.	Transfer of the State’s Interest in Lease and Leased Property Prohibited.....	20
----------------	---	----

ARTICLE XII

MISCELLANEOUS

Section 12.01.	Binding Effect.....	20
Section 12.02.	Interpretation and Construction	20
Section 12.03.	Acknowledgement of Indenture.....	21
Section 12.04.	Trustee and State Representatives	21
Section 12.05.	Manner of Giving Notices	21
Section 12.06.	No Individual Liability	21
Section 12.07.	Amendments, Changes and Modifications	22
Section 12.08.	Events Occurring on Days that are not Business Days.....	22
Section 12.09.	Legal Description of Land Included in Leased Property	22
Section 12.10.	Merger.....	22
Section 12.11.	Severability	22
Section 12.12.	Captions	22
Section 12.13.	Applicable Law.....	22
Section 12.14.	State Controller’s Approval	23
Section 12.15.	Non-Discrimination	23
Section 12.16.	Vendor Offset.....	23
Section 12.17.	Employee Financial Interest	23
Section 12.18.	Execution in Counterparts.....	23

- EXHIBIT A – LEGAL DESCRIPTION OF LAND
- EXHIBIT B – BASE RENT PAYMENT SCHEDULE
- EXHIBIT C – TRUSTEE’S FEE SCHEDULE

**STATE OF COLORADO
RURAL COLORADO
SERIES 2018A LEASE PURCHASE AGREEMENT**

This State of Colorado Rural Colorado Series 2018A Lease Purchase Agreement (this “Lease”) is dated as of September 1, 2018 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 Rural Colorado Master Trust Indenture dated September 1, 2018, as such Glossary may be amended, supplemented and restated from time to time.*

RECITALS

A. The State Treasurer, on behalf of the State, is authorized by the Act to enter into one or more lease purchase agreements with, among other entities, a commercial bank as trustee to finance the projects permitted under the Act, and accordingly desires to enter into this Series 2018A Lease Purchase Agreement on behalf of the State to finance the Projects.

B. The Leased Property will be leased to the Trustee pursuant to the Site Lease. All the Leased Property will then be leased to the State Treasurer, acting on behalf of the State, pursuant to this Lease, which is an authorized lease purchase agreement under the Act, with the Trustee, which is a commercial bank.

C. Certificates will be issued by the Trustee pursuant to the Indenture. Proceeds of the Certificates will be used pursuant to the terms of the Indenture to finance all or a portion of the costs of the Projects. The first Series of Certificates issued pursuant to the Indenture are the Series 2018A Certificates, the proceeds of which will be used to finance the Projects.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) Each Project to be financed with proceeds of the Series 2018A Certificates is a permitted project under the Act.

(b) The maximum total amount of annual lease payments payable by the State and by CDOT during any Fiscal Year under this Lease, and pursuant to the Act shall not exceed \$37.5 million and shall be allocated as follows:

(i) \$9 million in each Fiscal Year from the State General Fund for State Building Projects;

(ii) \$28.5 million from CDOT for the 2018-2019 Fiscal Year for Transportation Projects;

(iii) \$10.1 million from CDOT for the 2019-2020 Fiscal Year and each Fiscal Year thereafter for Transportation Projects; and

(iv) \$18.4 million from the State General Fund for the 2019-2020 Fiscal Year and each Fiscal Year thereafter for Transportation Projects.

(c) The State will not enter into any Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State and CDOT during any Fiscal Year under this Lease and all other outstanding Rural Colorado Lease Purchase Agreements to exceed the amounts permitted under paragraph (b) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(d) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease which has a term of no more than twenty (20) years, in accordance with the Act.

(e) 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.

(f) This Lease has been duly executed and delivered by the State and is a valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(g) The execution, delivery and performance of this Lease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this

Lease, the Indenture, and the Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(h) Except for the case which is titled TABOR Foundation et al. v. Colorado Department of Health Care Policy and Financing et al., there is no litigation or proceeding pending or threatened against the State or any other Person which may affect the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(i) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 7.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2018A Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(j) 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.

(k) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(l) The State has appropriated sufficient money from the General Fund to pay (i) the Base Rent payable in the current Fiscal Year that it does not anticipate CDOT to pay, and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(m) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2018A Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

(n) If any portion of the Act affecting the validity and enforceability of the Site Lease and the 2018A Lease or the source of payment for principal of and interest on the Series 2018A Certificates is held by the highest court of competent jurisdiction in an order which has not been stayed, to be unconstitutional or otherwise invalid, the State

will use its best efforts to request legislation to be introduced in the General Assembly, which legislation would reauthorize the provisions of the Act which were determined to be unconstitutional or invalid in a manner which would cause the Site Lease and the 2018A Lease to remain valid and enforceable and for the principal of and interest on the Series 2018A Certificates to be payable.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Trustee demises and leases the Trustee's leasehold estate under the Site Lease in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 2.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 7.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 10.02(a) hereof.

Section 3.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

ARTICLE IV

RENT; EVENT OF NONAPPROPRIATION

Section 4.01. Base Rent.

(a) The State and CDOT shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds in amounts not to exceed those set forth in Section 1.02(b) hereof.

(b) The portion of each payment of Base Rent identified as such on Exhibit B hereto, as such Exhibit is amended or supplemented from time to time, is paid as, and represents payment of: (i) Amortizing Principal; and (ii) interest.

(c) The Amortizing Principal and interest components of Base Rent and total Base Rent shall be paid in the amounts and on the Base Rent Payment Dates set forth in Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time; provided, however, that, subject to subsections (d) and (e) of this Section:

(i) there shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date, any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered;

(ii) [Reserved]

(iii) there shall be credited against the amount of interest and the total Base Rent payable on any Base Rent Payment Date, any moneys in the Interest Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered.

(d) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to subsection (c) of this Section against the Amortizing

Principal, interest and total Base Rent payable on such Base Rent Payment Date. If further amounts that are to be credited against the Amortizing Principal, interest and total Base Rent payable on such Base Rent Payment Date accrue during such 30-day period, such amounts shall be carried over to be applied as a reduction of Amortizing Principal, interest and total Base Rent, as applicable, payable on the next succeeding Base Rent Payment Date.

(e) Upon receipt by the Trustee of each payment of Base Rent, the Trustee shall apply the amount of such payment:

(i) *first*, the amount of each payment of Base Rent designated and paid as interest under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, plus the amount of any past due interest on the Series 2018A Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, shall be deposited into the Principal Account.

Section 4.02. Additional Rent. The State shall, subject only to Sections 5.01(b) and 6.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Section 4.03. Unconditional Obligations. The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 5.01(b) and 6.02(b) hereof, and the other Sections of this Article, including, without limitation, Sections 4.04 and 4.05 hereof and Section 12.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Section 4.04. Event of Nonappropriation.

(a) (i) The officer of the State who is responsible for formulating budget proposals with respect to payment of the State's portion of Rent is hereby directed (A) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the

Lease Term and (B) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the amount of Base Rent scheduled to be paid from the State's General Fund, not to exceed the amount set forth in Section 1.02(b)(i) hereof and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State, and (ii) the officer of CDOT who is responsible for formulating budget proposals with respect to payment of CDOT's portion of Rent shall include in each annual budget proposal submitted to the Transportation Commission during the Lease Term the amount of Base Rent scheduled to be paid from the Transportation Commission's budget not to exceed the amounts set forth in Section 1.02(b)(ii) and (iii) hereof.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly and CDOT have, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year (i) the Colorado General Assembly and CDOT have appropriated amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section, and (ii) the State and CDOT have paid all Rent due during the period from June 30 through the date of such appropriation.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, the State shall give written notice to such effect to the Trustee not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State and CDOT shall furnish the Trustee, for informational purposes only, with copies of all appropriation or allocation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly or the Transportation Commission, as the case may be, but not later than 30 days following the adoption thereof by the Colorado General Assembly and the Transportation Commission, as the case may be; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

Section 4.05. Limitations on Obligations of the State.

(a) Payment of Rent by the State and CDOT and all other payments by the State hereunder shall constitute currently appropriated expenditures of the State and CDOT and may be paid solely from legally available moneys in the General Fund and

from moneys under the control of the Transportation Commission. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly and the Transportation Commission in annually making moneys available for payments hereunder. The obligations of the State to pay Rent and all other obligations of the State hereunder are subject to appropriation by the Colorado General Assembly and the Transportation Commission in their respective sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Leased Property.

(b) The State's obligations under the Lease shall be subject to the State's annual right to terminate this Lease upon the occurrence of an Event of Nonappropriation.

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

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VII hereof

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State or CDOT, nor shall any provision of this Lease restrict the future issuance of any obligations of the State or CDOT, payable from any class or source of moneys of the State or CDOT; provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Certificates.

ARTICLE V

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 5.01. Taxes, Utilities and Insurance.

(a) The State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State in connection with the Leased Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State may be liable to third parties under such Act and (B) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the State shall first notify the Trustee of the intention of the State to do so, the State may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State, the Trustee will cooperate fully with the State in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be

provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State or the Trustee without first giving written notice thereof to the State and the Trustee at least 30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self insurance program.

Section 5.02. Maintenance and Operation of Leased Property. The State shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 6.05 and 6.07 hereof.

ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the Site Lease shall be held in the name of the Trustee, subject to the Site Leases and this Lease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State shall first notify the Trustee of the intention of the State to do so, the State may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State that, in the opinion of Independent Counsel, whose fees shall be paid by the State, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State of the right to continue to contest such item. At the request of the State, the Trustee will cooperate fully with the State in any such contest.

Section 6.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State:

(a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease and the Indenture and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights-of-way and other rights and privileges with respect to the Leased Property, free from this Lease and the Indenture and any security interest or other encumbrance created hereunder or thereunder, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege under subsection (a) or (b) of this Section, upon receipt of a copy of the instrument of grant or release.

Section 6.04. Modification of Leased Property. The State, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of this Lease.

Section 6.05. Substitution of Other Property for Leased Property. The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver

any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the State certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates, and (ii) the substituted property is at least as essential to the State as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 8.04 hereof.

Section 6.06. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 6.05 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

Section 6.07. Condemnation by State. The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 7.01 hereof.

Section 6.08. Personal Property of the State. The State, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VII

STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM

Section 7.01. State's Option to Purchase All Leased Property in Connection with Defeasance of Series 2018A Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property in connection with the defeasance of all the Series 2018A Certificates by paying to the Trustee the State's Purchase Option Price (defined below), subject to compliance with all conditions to the defeasance of the Series 2018A Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. The "State's Purchase Option Price" for purposes of a purchase of all the Leased Property pursuant to this Section is an amount sufficient (i) to defease all the Series 2018A Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to this Article, including, but not limited to, all fees and expenses of

the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding Series 2018A Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to Section 9.01 of the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to Section 9.01 of the Master Indenture for the Series 2018A Certificates; and (B) if any Series 2018A Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2018A Certificates shall be substituted for the Series 2018A Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

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

Section 7.02. [Reserved]

Section 7.03. Conveyance of Leased Property. At the closing of any purchase of Leased Property pursuant to Section 7.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership interest in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture and the Site Lease; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to this Article was subject when acquired by the Trustee.

Section 7.04. Conveyance of Leased Property to State at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all Certificates with the same Series designation as this Lease have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 7.03 hereof without any additional payment by the State.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 8.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 8.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the State; or that involves

the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under this Lease.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Lease by the Trustee or the performance of its obligations hereunder or thereunder.

Section 8.04. Tax Covenant of the State. The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the Series 2018A Certificates.

Section 8.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, this Lease, the Indenture, the Certificates, and the Site Lease or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule 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 8.06. Payments to Rebate Fund; Rebate Calculations. The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Section 8.07. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

ARTICLE IX

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 9.01. Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

Section 9.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Events of Default Defined.

(a) Any of the following shall constitute an “Event of Default” under this Lease:

(i) failure by the State or CDOT to pay any specifically appropriated or allocated portion of its Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State or CDOT to pay its respective portion of Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property within 90 days following an Event of Nonappropriation in accordance with Section 3.02(b) hereof;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased

Property in violation of Section 11.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 11.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State and CDOT shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

Section 10.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property;

(c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly and allocated

by the Transportation Commission, regardless of when the State vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 4.05 and 10.03 hereof

Section 10.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 10.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 10.02(c)(i) hereof.

Section 10.04. No Remedy Exclusive. Subject to Section 10.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 10.05. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 10.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XI

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 11.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 6.06 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 VII hereof.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XI hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 12.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated

Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

Section 12.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

Section 12.04. Trustee and State Representatives. Whenever under the provisions hereof the approval of the Trustee or the State is required, or the Trustee or the State is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for the State by the State Representative and the Trustee and the State shall be authorized to act on any such approval or request.

Section 12.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us; if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: Jeffrey.sudmeier@state.co.us; and if to the Trustee, to ZB, National Association dba Zions Bank, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or

other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 12.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 12.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 12.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 12.10. Merger. The Trustee and the State intend that the legal doctrine of merger shall have no application to this Lease or the Site Lease and that none of the execution and delivery of this Lease by the Trustee and the State, any Site Lease by the State and the Trustee or the exercise of any remedies by any party under this Lease or any Site Lease shall operate to terminate or extinguish this Lease or the Site Lease.

Section 12.11. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

Section 12.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or

not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 12.14. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 12.15. Non-Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 12.16. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 12.17. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 12.18. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the State have executed this Lease as of the date first above written.

ZB, NATIONAL ASSOCIATION DBA
ZIONS BANK, solely in its capacity as trustee
under the Indenture

By _____
Authorized Signatory

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

By _____
Ryan Parsell, Deputy Treasurer

APPROVALS:

ATTORNEY GENERAL
CYNTHIA H. COFFMAN

STATE CONTROLLER
ROBERT JAROS

By _____
Lori Ann Knutson, First Assistant Attorney
General

By _____
Robert Jaros, State Controller

STATE OF COLORADO
JOHN W. HICKENLOOPER, GOVERNOR
DEPARTMENT OF PERSONNEL &
ADMINISTRATION
OFFICE OF STATE ARCHITECT, REAL
ESTATE PROGRAMS

For the Executive Director

By _____
Brandon Ates, Real Estate Program
Manager or Chris Swigert, Real Estate
Specialist

[Signature Page to 2018A Lease]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of September, 2018 by Stephanie Nicholls as an authorized signatory of ZB, National Association DBA Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

Notary

My commission expires:

EXHIBIT A
LEGAL DESCRIPTION OF LAND

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>
12/12/2018	\$21,650,000	\$4,893,851.95
6/12/2019		10,951,368.75
12/12/2019	15,875,000	10,951,368.75
6/12/2020		10,673,556.25
12/12/2020	16,480,000	10,673,556.25
6/12/2021		10,343,956.25
12/12/2021	17,240,000	10,343,956.25
6/12/2022		9,912,956.25
12/12/2022	18,125,000	9,912,956.25
6/12/2023		9,459,831.25
12/12/2023	19,055,000	9,459,831.25
6/12/2024		8,983,456.25
12/12/2024	20,030,000	8,983,456.25
6/12/2025		8,482,706.25
12/12/2025	21,060,000	8,482,706.25
6/12/2026		7,956,206.25
12/12/2026	22,140,000	7,956,206.25
6/12/2027		7,402,706.25
12/12/2027	23,275,000	7,402,706.25
6/12/2028		6,820,831.25
12/12/2028	24,465,000	6,820,831.25
6/12/2029		6,209,206.25
12/12/2029	25,720,000	6,209,206.25
6/12/2030		5,566,206.25
12/12/2030	27,040,000	5,566,206.25
6/12/2031		4,892,206.25
12/12/2031	28,425,000	4,892,206.25
6/12/2032		4,181,581.25
12/12/2032	29,880,000	4,181,581.25
6/12/2033		3,437,425.00
12/12/2033	31,245,000	3,437,425.00
6/12/2034		2,812,525.00
12/12/2034	32,505,000	2,812,525.00
6/12/2035		2,182,425.00
12/12/2035	33,840,000	2,182,425.00
6/12/2036		1,475,875.00
12/12/2036	35,235,000	1,475,875.00
6/12/2037		784,300.00
12/12/2037	36,715,000	784,300.00

EXHIBIT C
TRUSTEE'S FEE SCHEDULE

Separator Sheet

After recording return to:
Michael R. McGinnis
Greenberg Traurig, LLP
1200 17th Street, Suite 2400
Denver, Colorado 80202

SITE LEASE

by and between

STATE OF COLORADO,
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 September 1, 2018

TABLE OF CONTENTS

Page

ARTICLE I
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee..... 2
Section 1.02. Certifications, Representations and Agreements by State 2

ARTICLE II
DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause 3
Section 2.02. Enjoyment of Leased Property..... 3

ARTICLE III
SITE LEASE TERM; TERMINATION OF SITE LEASE

Section 3.01. Site Lease Term 3
Section 3.02. Effect of Termination of Site Lease Term 3

ARTICLE IV
PURPOSE

ARTICLE V
RENT

ARTICLE VI
TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS,
SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property..... 4
Section 6.02. Limitations on Disposition of and Encumbrances on Leased
Property..... 4
Section 6.03. Granting of Easements..... 4
Section 6.04. Subleasing and Other Grants of Use 4
Section 6.05. Substitution of Other Property for Leased Property 4
Section 6.06. Property Damage, Defect or Title Event..... 4
Section 6.07. Personal Property of Trustee, State and Others 4

ARTICLE VII
LICENSES AND SHARED UTILITIES

Section 7.01. Access Licenses 5
Section 7.02. Appurtenant Staging Areas Licenses 5
Section 7.03. Offsite Parking Licenses 5
Section 7.04. Utilities..... 6

ARTICLE VIII
GENERAL COVENANTS

Section 8.01.	Further Assurances and Corrective Instruments	6
Section 8.02.	Compliance with Requirements of Law	7

ARTICLE IX
LIMITS ON OBLIGATIONS

Section 9.01.	Limitation of Obligations of the State	7
Section 9.02.	Financial Obligations of Trustee Limited to Trust Estate.....	7

ARTICLE X
EVENTS OF DEFAULT AND REMEDIES

Section 10.01.	Event of Default Defined	7
Section 10.02.	Remedies on Default.....	8
Section 10.03.	No Remedy Exclusive.....	8
Section 10.04.	Waivers	8

ARTICLE XI
TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01.	Assignment by State	8
Section 11.02.	Transfer of the Trustee’s Interest in Lease and Leased Property Prohibited.....	8

ARTICLE XII
MISCELLANEOUS

Section 12.01.	Binding Effect.....	9
Section 12.02.	Interpretation and Construction	9
Section 12.03.	Acknowledgement of 2018A Lease.....	9
Section 12.04.	Trustee and State Representatives	9
Section 12.05.	Manner of Giving Notices	9
Section 12.06.	No Individual Liability	10
Section 12.07.	Amendments, Changes and Modifications	10
Section 12.08.	Events Occurring on Days that are not Business Days.....	10
Section 12.09.	Legal Description of Land Included in Leased Property	10
Section 12.10.	Merger.....	10
Section 12.11.	Severability	11
Section 12.12.	Captions	11
Section 12.13.	Applicable Law	11
Section 12.14.	Execution in Counterparts.....	11
Section 12.15.	Value of Land	11

**STATE OF COLORADO
RURAL COLORADO
SERIES 2018A SITE LEASE**

This State of Colorado Rural Colorado Site Lease (this “Site Lease”) is dated as of September 1, 2018 and is entered into by and between the State of Colorado (the “State”), 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 Rural Colorado Master Trust Indenture dated September 1, 2018 (“Master Indenture”), as such Glossary may be amended, supplemented and restated from time to time.*

RECITALS

A. The State owns the land described in Exhibit A attached hereto (the “Land”) and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the “Leased Property”).

B. The State is authorized by the Act to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease.

C. The State desires to finance improvements to certain facilities owned by the State and certain transportation projects, (collectively, the “Project”), pursuant to the Act; and

D. In order to finance the costs of the Project, the State desires to demise to the Trustee, pursuant to this Site Lease, a leasehold interest in the Leased Property for good and valuable consideration, and sublease the Leased Property back from the Trustee pursuant to that certain Series 2018A Lease Purchase Agreement dated as of the date of this Site Lease (the “2018A Lease”) between the Trustee, as lessor, and the State, as lessee; and

E. The Trustee is executing and delivering and will perform its obligations under this Site Lease as trustee under the Master Indenture, and the Series 2018A Supplemental Trust Indenture dated as of the date hereof by the Trustee (collectively, the “Indenture”) pursuant to which there are being executed and delivered by the Trustee the State of Colorado Rural Colorado Certificates of Participation, Series 2018A (the “Series 2018A Certificates”), evidencing undivided interests in the right to receive certain revenues payable by the State under the 2018A Lease (the “Series 2018A Certificates”); and

F. The State has determined that the lease of the Lased Property to the Trustee pursuant to this Site Lease is in the best interests of the State and its residents.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) The State is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(b) The execution, delivery and performance of this Site Lease have been duly authorized by the State.

(c) The State has received all approvals and consents required for its execution, delivery and performance of its obligations under this Site Lease.

(d) This Site Lease has been duly executed and delivered by the State and is enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(e) The execution, delivery and performance of this Site Lease does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2018A Lease and the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(f) Except for the case which is titled TABOR Foundation et. al. v. Colorado Department of Health Care Policy and Financing, et. al., there is no litigation or proceeding pending or threatened against the State or any other Person that may affect the right of the State to execute, deliver or perform the obligations of the State under this Site Lease.

(g) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

**ARTICLE II
DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY**

Section 2.01. Demising Clause. The State demises and leases the land described in Exhibit A hereto (the “Land” for purposes of this Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the “Leased Property” for purposes of this Site Lease) to the Trustee in accordance with the terms of this Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Section 2.02. Enjoyment of Leased Property. The State covenants that, during the Site Lease Term and so long as no Event of Default hereunder shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by this Site Lease.

**ARTICLE III
SITE LEASE TERM; TERMINATION OF SITE LEASE**

Section 3.01. Site Lease Term.

(a) The Site Lease Term shall commence on the date this Site Lease is executed and delivered and shall expire upon the earliest of any of the following events:

(i) December 15, 2047,

(ii) the purchase and conveyance of all the Leased Property subject to the 2018A Lease by the State pursuant to Section 7.01 of the 2018A Lease; or

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof.

Section 3.02. Effect of Termination of Site Lease Term. Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee hereunder shall terminate, but all obligations of the Trustee that have accrued hereunder prior to such termination shall continue until they are discharged in full.

**ARTICLE IV
PURPOSE**

The Trustee shall use the Leased Property for the purpose of subletting the same to the State pursuant to the 2018A Lease; provided that upon the occurrence of an Event of Nonappropriation or an Event of Default under the 2018A Lease or Event of Default under the Indenture, the State shall vacate the Leased Property as provided in the 2018A Lease, the Trustee may exercise the remedies provided in the 2018A Lease and the Indenture and the Trustee may use or sublet the Leased Property for any lawful purposes.

**ARTICLE V
RENT**

The Trustee is not obligated to pay any rent under this Site Lease. The consideration paid by the Trustee to the State for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2018A Certificates issued by the Trustee into the State Building Project Account and the Transportation Project Account held by the Trustee under the Indenture to finance the State Building Projects and the Transportation Projects.

**ARTICLE VI
TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS,
MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY**

Section 6.01. Title to Leased Property. Title to the Leased Property shall be held in the name of the State, subject to this Site Lease and the 2018A Lease.

Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property. Except as otherwise permitted in this Article or Articles VII or VIII hereof and except for Permitted Encumbrances, the State shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

Section 6.03. Granting of Easements. The State shall, at the request of the Trustee consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 6.03 of the 2018A Lease.

Section 6.04. Subleasing and Other Grants of Use. The Trustee is expressly authorized to sublease the Leased Property to the State pursuant to the 2018A Lease. The Trustee is expressly authorized to lease or sublease the Leased Property to or create other interests in the Leased Property for the benefit of any other Person or Persons in connection with the exercise of the Trustee's remedies under the 2018A Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2018A Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2018A Lease for any portion of the State's Leased Property, the property so substituted under the 2018A Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

Section 6.06. Property Damage, Defect or Title Event. If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 6.07 of the 2018A Lease.

Section 6.07. Personal Property of Trustee, State and Others. The Trustee, the State and any other Person who has the right to use the Leased Property under this Site Lease, at its own expense, may install equipment and other personal property in or on any portion of the

Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

ARTICLE VII LICENSES AND SHARED UTILITIES

Section 7.01. Access Licenses. The State grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the State that is adjacent to but not included in the Leased Property (the “Access Area”) for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee’s use of the Leased Property.

Section 7.02. Appurtenant Staging Areas Licenses. The State grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the State that is adjacent to but not included in the Leased Property (the “Appurtenant Staging Area”) for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

Section 7.03. Offsite Parking Licenses. The State grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of

them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the State but not included in the Leased Property (the "Offsite Parking Area") for the purpose of parking of passenger vehicles in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the State reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the "Onsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the State and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Onsite Parking Area similar to those implemented and enforced by the State with respect to the Offsite Parking Area.

Section 7.04. Utilities. The State agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities on a continuous basis except for periods of repair, and to pay for the costs of such utilities. Pursuant to the 2018A Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2018A Lease, if the Trustee incurs any such costs. If (a) the 2018A Lease is terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the State for such costs.

ARTICLE VIII GENERAL COVENANTS

Section 8.01. Further Assurances and Corrective Instruments. So long as this Site Lease is in full force and effect, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased

Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 8.02. Compliance with Requirements of Law. On and after the date hereof, the State shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

ARTICLE IX LIMITS ON OBLIGATIONS

Section 9.01. Limitation of Obligations of the State. No provision of the Series 2018A Certificates, the Indenture, the Lease or this Site Lease shall be construed or interpreted (a) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article XI, Section 3 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

Section 9.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE X EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Event of Default Defined. An “Event of Default” under this Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that:

(a) if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and

(b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part herein contained the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of

strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

Section 10.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the State may take one or any combination of the following remedial steps:

(a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property;

(b) enforce any provision of this Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 9.02 hereof.

Section 10.03. No Remedy Exclusive. Subject to Section 9.02 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the State to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 10.04. Waivers. The State may waive any Event of Default under this Site Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01. Assignment by State. The State shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the State's interest in the Leased Property or the State's rights, title or interest in, to or under this Site Lease.

Section 11.02. Transfer of the Trustee's Interest in Lease and Leased Property Prohibited. Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property and Section 6.05 hereof with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

**ARTICLE XII
MISCELLANEOUS**

Section 12.01. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Site Lease.

Section 12.02. Interpretation and Construction. This Site Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Site Lease. For purposes of this Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Site Lease to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Site Lease. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Site Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

Section 12.03. Acknowledgement of 2018A Lease. The Trustee hereby acknowledges the terms of the 2018A Lease.

Section 12.04. Trustee and State Representatives. Whenever under the provisions hereof, the approval of the Trustee or the State is required, or the Trustee or the State is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for the State by the State Representative.

Section 12.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Trustee, to ZB, National Association dba Zions Bank, 1001

Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com; and if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us. Any notice party may, by written notice to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 12.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 12.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

Section 12.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

Section 12.10. Merger. The State and the Trustee intend that the legal doctrine of merger shall have no application to this Site Lease or the 2018A Lease and that none of the execution and delivery of this Site Lease by the State and the Trustee and the 2018A Lease by

the Trustee and the State or the exercise of any remedies by any party under this Site Lease or the 2018A Lease shall operate to terminate or extinguish this Site Lease or the 2018A Lease.

Section 12.11. Severability. In the event that any provision of this Site Lease, other than the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

Section 12.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Site Lease. Any provision of this Site Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the State and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 12.14. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.15. Value of Land. The State estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is \$458,121,157.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the State 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

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

By _____
Ryan Parsell, Deputy Treasurer

APPROVALS:

ATTORNEY GENERAL
CYNTHIA H. COFFMAN

STATE CONTROLLER
ROBERT JAROS

By _____
Lori Ann Knutson, First Assistant Attorney
General

By _____
Robert Jaros, State Controller

STATE OF COLORADO
JOHN W. HICKENLOOPER, GOVERNOR
DEPARTMENT OF PERSONNEL &
ADMINISTRATION
OFFICE OF STATE ARCHITECT, REAL
ESTATE PROGRAMS

For the Executive Director

By _____
Brandon Ates, Real Estate Program
Manager or Chris Swigert, Real Estate
Specialist

[Signature Page to Site Lease]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of September, 2018 by Stephanie Nicholls as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

Notary

My commission expires:

EXHIBIT A
DESCRIPTION OF LEASED PROPERTY

APPENDIX C
Form of Continuing Disclosure Undertaking

\$500,000,000
STATE OF COLORADO
RURAL COLORADO
CERTIFICATES OF PARTICIPATION
SERIES 2018A

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Certificate”) is executed and delivered by the State of Colorado (the “State”), acting by and through the Department of the Treasury, in connection with the execution and delivery of the captioned Certificates of Participation (the “Certificates”) evidencing assignments of proportionate interests in the right to receive certain payments payable under (a) the annually renewable State of Colorado, Rural Colorado, Series 2018A Lease Purchase Agreement, dated as of September 1, 2018, entered into by and between ZB, National Association dba Zions First National Bank, as trustee (the “Trustee”) under the State of Colorado, Rural Colorado, Master Trust Indenture dated September 1, 2018 (as amended and supplemented from time to time, the “Indenture”), as lessor, and the State, acting by and through the State Treasurer, as lessee, and (b) any other lease entered into by and between the Trustee, as lessor, and the State, as lessee, pursuant to the Indenture. The Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under **Appendix E** – “THE STATE GENERAL FUND,” **Appendix F** – “SELECTED CDOT FINANCIAL INFORMATION,” **Appendix H** – “LEASED PROPERTY” and **Appendix J** – “STATE PENSION SYSTEM.”

“Audited Financial Statements” means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles as applicable to governmental entities as in effect from time to time, audited by the State Auditor.

“Events” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board. As of the date hereof, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

“Owner of the Certificates” means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

“Rule 15c2-12” shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2019, and annually while the Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will also be provided not later than 270 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided thereafter as soon as they are available.

(c) The State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the U.S. Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The State shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) The State shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the Event, notice of any of the Events listed below with respect to the Certificates:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancement relating to the Certificates reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed

Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events or events affecting the tax status of the Certificates.

7. Modifications to the rights of the security holders, if material.
8. Certificate calls (other than mandatory sinking fund redemption), if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).*
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.

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

* 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.

retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the State shall no longer constitute an “obligated person” with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the State, including by an opinion of an attorney or firm of attorneys experienced in federal securities law selected by the State. The State shall file a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the State to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 9. Default and Enforcement. If the State fails to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days’ prior written notice to the State Treasurer of the State’s failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the State has caused this Continuing Disclosure Undertaking to be executed effective as of September 26, 2018.

**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

September 26, 2018

State of Colorado,
acting by and through the State Treasurer

ZB, National Association
dba Zions Bank, as Trustee

\$500,000,000
State of Colorado
Rural Colorado
Certificates of Participation, Series 2018A

Ladies and Gentlemen:

We have been engaged by the State of Colorado, acting by and through the State Treasurer (the “State”), to act as bond counsel in connection with the above-captioned Certificates of Participation, Series 2018A (the “Certificates”). The Certificates are being executed and delivered pursuant to part 13 of article 82 of title 24, Colorado Revised Statutes, as amended, the Master Trust Indenture dated as of September 1, 2018 (the “Master Indenture”) by ZB, National Association dba Zions Bank, as Trustee thereunder (the “Trustee”), and the Series 2018A Supplemental Trust Indenture dated as of September 1, 2018 by the Trustee (the “Supplemental Indenture” and together with the Master Indenture, the “Indenture”). The Certificates evidence undivided interests in the right to receive certain payments by the State and the Colorado Department of Transportation (“CDOT”) under the Series 2018A Lease Purchase Agreement dated as of September 1, 2018 (the “Lease”) by and between the Trustee, as lessor, and the State, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined: the documents listed in the preceding paragraph; the Site Lease dated as of September 1, 2018 (the “Site Lease”) by and between the State, as lessor, and the Trustee, as lessee; the Arbitrage and Tax Certificate executed and delivered by the State Treasurer of the State of Colorado (the “State Treasurer”) in connection with the execution and delivery of the Certificates; the Constitution and the laws of the State of Colorado; the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, rulings and judicial decisions relevant to the opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Site Lease, the Lease, the Indenture and the Certificates, have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State of Colorado in connection with the execution and delivery of the Certificates with respect to the authorization, execution and delivery of the Site Lease and the Lease, the enforceability of the Site Lease against the State (but not the enforceability of the Lease) and other matters, and have assumed that the State, the Trustee and other parties will comply with, and perform their obligations in accordance with, the Lease, the Indenture and the Site Lease.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the Lease.
2. The Lease has been duly authorized, executed and delivered by the State and is the legal, valid and binding obligation of the State enforceable against the State in accordance with their terms.
3. The Certificates evidence legal, valid and binding undivided interests in the right to receive certain payments, as provided in the Certificates and the Indenture, from the Base Rent payable by the State and CDOT under the Lease, as provided in the Lease.
4. Under existing laws, regulations, rulings and judicial decisions on the date hereof, the portion of the Base Rent paid by the State and CDOT and which is designated and paid as interest on the Certificates, as provided in the Lease, and received by the Owners of the Certificates (the "Interest Portion"), is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. For corporations, tax legislation eliminated the alternative minimum tax for taxable years beginning after December 31, 2017; no opinion is being provided with respect to the alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018.
5. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, for any period during which the Interest Portion is not included in gross income for federal income tax purposes, the Interest Portion is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax.

The opinions set forth in subparagraphs 4 and 5 above assume the accuracy of certain representations by the State and are subject to continuing compliance by the State with certain requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal and State of Colorado income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issue of the Certificates. The State has covenanted in the Arbitrage and Tax Certificate to comply with such requirements. Furthermore, no opinion is expressed herein with respect to the federal income tax consequences of any payments received with respect to the Certificates following the termination of the Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

The rights of the Owners of the Certificates and the enforceability of the Certificates and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to: the enforceability of the Site Lease, the Lease, the Indenture or the Certificates against the Trustee; the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with

the offer and sale of the Certificates; or the ability of the State and CDOT to use moneys from any particular source for the purpose of making payments under the Lease.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State of Colorado, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. This opinion is not a guarantee of any result. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 State fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the 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 2016-17 CAFR as the General Purpose Revenue Fund.

General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2017-18 and 2018-19. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix G** – "OSPB JUNE 2018 REVENUE FORECAST," as well as "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement.

[Remainder of page intentionally left blank]

State of Colorado
General Fund Revenue Sources¹
(Accrual basis; dollar amounts expressed in millions)

Revenue Source	Actual										OSPB June 2018 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	
	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%	\$ 2,826.1	6.5%	\$ 3,102.4	9.8%	\$ 3,251.2	4.8%
Use Tax	242.7	21.0	241.3	(0.6)	260.3	7.8	241.2	(7.3)	259.5	7.6	311.5	20.0	325.6	4.5
	2,454.4	7.0	2,666.6	8.6	2,879.5	8.0%	2,893.8	0.5	3,085.6	6.6	3,413.9	10.6	3,576.8	4.8
Cigarette Tax	38.3	(3.1)	36.6	(4.5)	37.9	3.6	37.2	(1.8)	36.6	(1.7)	34.3	(6.3)	32.6	(5.0)
Tobacco Products ³	15.6	(2.9)	16.9	8.5	17.8	5.3	21.1	18.5	21.2	0.6	21.9	3.3	23.1	5.4
Liquor Tax	39.2	2.2	40.3	2.9	41.5	2.8	43.6	5.0	45.0	3.3	46.5	3.3	47.4	1.9
	93.1	(0.9)	93.8	0.8	97.2	3.6	101.9	4.8	102.8	0.9	102.7	(0.1)	103.1	0.6
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	3,516.6	10.3	3,679.8	4.6
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	7,541.3	11.5	7,866.3	4.3
Net Corporate Income Tax	636.3	30.8	720.7	13.3	692.9	(3.9)	652.3	(5.8)	509.3	(21.9)	736.5	44.6	839.7	14.0
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	8,277.8	13.9	8,705.9	5.2
Less State Education Fund Diversion ²	(486.3)	19.3	(478.8)	(1.6)	(519.8)	8.6	(522.6)	0.5	(540.0)	3.3	(612.6)	13.4	(644.2)	5.2
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	7,665.3	13.9	8,061.7	5.2
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	300.5	3.4	313.6	4.4
Interest Income	17.4	28.6	15.2	(12.8)	8.9	(41.7)	12.4	40.3	14.7	18.6	11.4	(22.6)	16.3	43.0
Pari-Mutuel	0.7	10.3	0.6	(8.8)	0.6	0.2	0.6	0.5	0.6	(6.6)	0.6	(2.8)	0.6	(2.0)
Court Receipts	2.3	(9.0)	2.6	9.5	2.6	0.3	3.5	34.5	4.1	17.5	3.9	(4.3)	4.0	2.6
Other Income	18.1	(21.6)	21.3	17.9	34.0	59.3	22.6	(33.7)	47.3	109.7	126.7	167.9	20.6	(83.7)
Total Other	249.0	4.9	279.2	12.1	302.7	8.4	319.4	5.5	357.2	11.8	443.1	24.0	355.1	(19.9)
Gross General Fund	\$8,542.7	10.7%	\$8,977.7	5.1%	\$9,802.6	9.2%	\$9,971.4	1.7%	\$10,275.8	3.1%	\$11,625.0	13.1%	\$12,096.6	4.1%

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 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 "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 – Taxpayer's 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.

⁴ Other income for Fiscal Year 2017-18 includes an approximately \$110.7 million one-time settlement with tobacco companies related to the terms of the Tobacco Master Settlement Agreement as discussed in the section of the OSPB June 2018 Revenue Forecast captioned "GENERAL FUND AND STATE EDUCATION FUND REVENUE FORECAST" as discussed in the June forecast report on pages 30 and 31.

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 (the Fiscal Years for which a budget has been adopted) from the OSPB June 2018 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB June 2018 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 G** – “OSPB JUNE 2018 REVENUE FORECAST,” as well as “PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements” at the beginning of this Official Statement.

State of Colorado
General Fund Overview
Fiscal Years 2012-13 through 2018-19

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) ¹					OSPB June 2018 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:							
Beginning Reserve	\$ 795.8	\$ 373.0	\$ 435.9	\$ 689.6	\$ 512.7	\$ 614.5	\$ 1,211.6
Gross General Fund Revenue ²	8,542.7	8,977.7	9,802.6	9,971.4	10,275.8	11,625.0	12,096.6
Transfers to the General Fund ²	12.4	14.1	64.9	24.1	44.8	111.7	35.2
Proposed transfers affecting funds available	--	--	--	--	--	--	--
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	9,351.0	9,364.8	10,303.4	10,685.1	10,833.4	12,351.2	13,343.4
EXPENDITURES:							
Appropriation Subject to Limit ³	7,459.2	8,218.7	8,869.0	9,335.6	9,784.5	10,430.9	11,217.7
Dollar Change From Prior Year	431.5	759.5	650.3	466.6	448.9	646.4	786.8
Percent Change From Prior Year	6.1%	10.2%	7.9%	5.3%	4.8%	6.6%	7.5%
Spending Outside Limit:	452.3	545.5	785.7	895.1	640.1	708.7	1,181.8
TABOR Refund under Subsection (7)(d) ⁴	--	--	169.7	--	--	--	--
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	278.7	292.6
Transfer to Capital Construction ⁷	61.4	186.7	248.5	271.1	84.5	112.1	179.2
Transfers to Highway Users Tax Fund ⁷	N/A	--	--	199.2	79.0	79.0	495.0
Transfers to State Education Fund per 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	164.8	213.5	190.0
Other Expenditures Exempt from General Fund Appropriations Limit ¹⁰	5.4	32.4	0.5	--	1.5	--	--
TOTAL GENERAL FUND OBLIGATIONS	7,911.5	8,764.3	9,654.7	10,230.7	10,424.6	11,139.6	12,399.5
Percent Change from Prior Year	9.6%	10.8%	10.2%	5.7%	1.9%	6.9%	11.3%
Reversions and Accounting Adjustments ¹¹	7.1	(50.4)	(60.6)	(58.3)	(205.7)	--	--
RESERVES							
Year-End General Fund Balance	1,446.5	650.9	709.2	512.7	614.5	1,211.6	943.8
Year-End General Fund as a % of Appropriations	19.4%	7.9%	8.0%	5.5%	6.3%	11.7%	8.4%
General Fund Statutory Reserve Amount ¹²	373.0	410.9	576.5	463.9	584.3	674.9	813.3
Unappropriated Reserve Percentage ¹²	5.0%	5.0%	6.5%	5.6%	6.0%	6.5%	7.25%
Amount Above (Below) Statutory Reserve	1,073.5	240.0	132.7	48.8	30.2	536.7	130.6
Transfer of Excess Reserve to State Education Fund/Other Funds ¹³	(1,073.5)	(215.0)	--	--	--	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	--	435.9	132.7	48.8	30.2	536.7	130.6

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.

[Notes continued on next page]

- 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, although the actual refund may be made in the subsequent Fiscal Years. No TABOR refunds are currently forecast for Fiscal Years 2017-18 or 2018-19, although a TABOR refund is forecast in Fiscal Year 2019-20 and is expected to occur through the senior homestead and disabled veterans property tax exemption in Fiscal Year 2020-21. See “STATE FINANCIAL INFORMATION – Taxpayer’s Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*” and **Appendix G** – “OSPB JUNE 2018 REVENUE FORECAST – Taxpayer’s Bill of Rights: Revenue Limit.”
- ⁵ The amount shown in Fiscal Year 2014-15 reflects the amount that was set aside by HB 15-1367 in a special account to cover a potential TABOR refund relating to Proposition AA. HB 15-1367 also submitted to the State’s voters at the November 3, 2015, general election the question of authorizing the State to retain and expend such amount. The question, designated Proposition BB, was approved by the voters and permitted the State 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. See “STATE FINANCIAL INFORMATION – Taxpayer’s Bill of Rights – *Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA*,” as well as Note 4 to this table 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, heating bill or rent assistance to qualifying low-income 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.
- ⁷ The transfer amounts from the General Fund to the Highway Users Tax Fund and the Capital Construction Fund are based on legislation and the budget that is passed on an annual basis. SB 18-001 resulted in \$495 million in transfers to transportation funds in Fiscal Year 2018-19 and \$150 million in Fiscal Year 2019-20. Additional transportation transfers may also occur but are contingent upon potential ballot measures that may go before the voters.
- 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. Commencing in Fiscal Year 2013-14, this line item includes transfers of amounts credited to the General Fund from the retail marijuana sales tax to a cash fund. See Note 1 to the table in “General Fund Revenue Sources” above. However, for Fiscal Year 2015-16 only, \$40.0 million of the transfer to other funds amount is a transfer to public school capital construction related to the passage of Proposition BB. The Fiscal 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. The amount of the diverted revenue under SB 16-218 totaled \$56.8 million in Fiscal Year 2015-16 and \$53.8 million in Fiscal Year 2016-17. Due to the risk of lower than expected severance tax revenues in Fiscal Year 2017-18 and subsequent years, HB 18-1338 requires General Fund transfers to various severance tax cash funds to protect program funding. HB 18 1338 also requires an equivalent amount of future severance tax revenue to be diverted to the General Fund to repay the transfers. See also “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*” and the section of the OSPB June 2018 Revenue Forecast captioned “CASH FUND REVENUE FORECAST – Severance Tax Revenue.”
- ¹⁰ Spending by the Medicaid program above the appropriated amount, called “Medicaid Overexpenditures,” is usually the largest amount in this line.
- ¹¹ The Fiscal Year 2016-17 amount in this line is an atypically large amount due mostly to a large reversion of Medicaid-related expenditures
- ¹² 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. For Fiscal Years 2015-16 to 2017-18, General Fund appropriations for lease purchase agreement payments made in connection with certificates of participation which were sold to fund certain capital projects were exempted from the reserve calculation requirement. Starting with Fiscal Year 2018-19, SB 17-267 raised the Unappropriated Reserve requirement to 7.25%. 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.”
- ¹³ In past 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 required to be transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess, except for \$25 million that remained in the General Fund, was transferred to various other State funds in a specified order of priority per HB 14-1339, HB 14-1342 and SB 14-223. The amount 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 in the General Fund in excess of the statutory reserve in Fiscal Years 2015-16 and thereafter have or will become part of the beginning reserve and funds 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 June 20, 2018, and is included in this Official Statement as **Appendix G** – “OSPB JUNE 2018 REVENUE FORECAST.” The OSPB June 2018 Revenue Forecast projects revenues for Fiscal Years 2017-18 through 2019-20. The amounts forecast for Fiscal Years 2017-18 and 2018-19 (being the only years for which budgets have been adopted) 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 macroeconomic forecast for the OSPB June 2018 Revenue Forecast was provided by Moody’s Analytics 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 Analytics Economy.com’s forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

Revenue Shortfalls. The State’s Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve, the State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State’s Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor’s revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the

General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released in September of 2018. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB June 2018 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2018-19 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See “CERTAIN RISK FACTORS – State Budgets and Revenue Forecasts.”

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in “STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds.” The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitrated against must be closely matched in both dollar amount and term.

Fiscal Years 2016-17 and 2017-18 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2016-17 and 2017-18.

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	\$7,709.3	\$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	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018
Agency CMOs	\$ 1.9	\$ 1.7	\$ 1.6	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.7	\$ 0.7	\$ 0.6
Commercial Paper	931.2	828.4	532.8	657.5	612.5	638.7	867.7	702.9	767.5	1,131.4	1,125.7	977.3
U.S. Treasury Notes	884.0	1,123.8	1,153.8	914.4	894.1	894.3	1,073.7	1,422.3	1,371.9	1,277.2	1,322.7	1,116.7
Federal Agencies	948.2	809.7	979.4	834.6	1,223.9	1,303.7	1,342.7	1,292.2	1,307.1	1,546.6	1,715.8	864.1
Asset-Backed Securities	581.1	519.1	514.3	546.3	562.8	609.4	644.9	654.1	672.3	674.2	781.5	789.3
Money Market	260.0	425.0	485.0	275.0	180.0	215.0	220.0	270.0	330.0	370.0	350.0	783.0
Corporates	3,847.5	3,553.3	3,628.9	3,824.4	3,156.3	3,143.8	3,803.6	3,328.6	3,550.8	3,737.1	3,523.0	3,199.4
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	\$7,453.9	\$7,261.0	\$7,295.8	\$7,053.6	\$6,630.9	\$6,806.1	\$7,953.6	\$7,671.0	\$8,000.4	\$8,737.2	\$8,819.4	\$7,730.4

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
Selected CDOT Financial Information

The following tables set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the Highway Users Tax Fund and sub-accounts for Fiscal Years 2012-13 through 2016-17 presented on the current financial resources basis and modified accrual basis. These tables were taken from the financial statements of the State as of and for Fiscal Years 2012-13 through 2016-17, which are audited by the State Auditor. Balances reported in these tables include the State Highway Fund in addition to sub-accounts within the Highway Users Tax Fund for the Department of Public Safety, the Department of Revenue, and the Department of Public Health and Environment not appropriated by the General Assembly or otherwise available to CDOT to pay Base Rentals as discussed under the caption “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION” in the forepart of this Official Statement.

The State’s Fiscal Year 2016-17 CAFR, including the State Auditor’s Opinion thereon, is also appended to this Official Statement as **Appendix A**.

[Remainder of page intentionally left blank.]

HIGHWAY USERS TAX FUND¹
COMBINED BALANCE SHEET
(As of June 30 of each year)
(Dollars in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS					
Cash and Pooled Cash	\$65,115	\$56,696	\$49,427	\$41,727	\$39,687
Taxes Receivable, net					
Other Receivables, net	3,416	3,271	2,940	2,956	2,701
Due from Other Governments		—	—	—	—
Due from Other Funds	5,037	5,033	4,074	5,278	2,973
Inventories	9,334	8,860	8,377	7,673	8,249
Other Current Assets					
Prepays, Advances and Deferred Charges	679	1,252	1,908	1,481	4,201
Restricted Cash and Pooled Cash	497,654	752,176	842,169	1,043,875	1,139,988
Restricted Investments	90,122		363,128	257,595	175,415
Restricted Receivables	587,488	453,177	7,258	7,680	10,589
Other Long-Term Assets	9,793	12,150			
Depreciable Capital Assets & Infrastructure, net		30	—	—	—
TOTAL ASSETS	<u>\$1,268,638</u>	<u>\$1,292,645</u>	<u>\$1,279,281</u>	<u>\$1,368,265</u>	<u>\$1,383,812</u>
LIABILITIES					
Warrants Payable					
Tax Refunds Payable	\$2,255	\$4,860	\$2,814	\$484	\$107
Accounts Payable and Accrued Liabilities	217,069	203,740	221,298	184,673	107,710
Due to Other Governments	34,317	34,195	36,628	32,928	60,755
Due to Other Funds	1,565	634	565	1,349	1,068
Deferred Revenues	31,207	—	28,278	17,136	16,587
Unearned Revenue		16,834	—	—	—
Compensated Absences Payable		—	—	—	17
Claims and Judgments Payable	8	—	—	7	—
Deposits Held in Custody for Others					
Other Current Liabilities	32	28	26	26	25
TOTAL LIABILITIES	<u>\$286,453</u>	<u>\$260,291</u>	<u>\$289,609</u>	<u>\$236,603</u>	<u>\$186,269</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$1,465</u>	<u>\$933</u>	<u>\$1,112</u>	<u>\$1,290</u>	<u>—</u>
FUND EQUITY					
Fund Balances:					
Reserved For:					
Encumbrances					
Noncurrent Assets					
Funds Reported as Restricted					
Other Specific Purposes					
Statutory Fund Residual					
Long-Term Assets and Long-Term Receivables					
Emergencies					
Unreserved Undesignated, Reported in:					
Special Revenue Funds					
Unreserved:					
Designated for Unrealized Investment					
Gains:					

¹ See Notes 4 and 5 to the State's Fiscal Year 2016-17 CAFR (appended to this Official Statement as **Appendix A**) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audited financial statements, Fiscal Years 2011-12 through 2015-16.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Reported in Major Funds Undesignated					
Nonspendable:					
Long-term Portion of Interfund Loan Receivable		\$30	-	-	-
Inventories	\$9,334	8,860	\$8,377	\$7,673	\$8,249
Prepays	679	1,252	1,908	1,481	4,210
Restricted	917,778	975,001	942,510	1,080,201	1,145,997
Committed	52,929	46,278	35,765	41,017	39,087
TOTAL FUND EQUITY	<u>\$980,720</u>	<u>\$1,031,421</u>	<u>\$988,560</u>	<u>\$1,130,372</u>	<u>\$1,197,543</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES		<u>\$1,292,645</u>	<u>\$1,279,281</u>	<u>\$1,368,265</u>	<u>\$1,383,812</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,268,638</u>				

HIGHWAY USERS TAX FUND¹
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
(As of June 30 of each year)
(Dollars in thousands)

	2017	2016	2015	2014	2013
REVENUES:					
Taxes	\$629,458	\$610,089	\$599,774	\$573,894	\$552,768
Licenses, Permits and Fines	392,445	376,963	363,345	346,218	338,212
Charges for Goods and Services	143,666	134,185	136,633	125,930	123,585
Rents	3,037	3,318	2,132	2,322	4,149
Investment Income	2,769	11,052	10,540	15,546	(502)
Federal Grants and Contracts	843,438	842,408	837,065	750,438	721,266
Other	67,782	102,032	116,744	140,307	63,380
TOTAL REVENUES	\$2,082,595	\$2,080,047	\$2,066,233	\$1,954,655	\$1,802,858
EXPENDITURES:					
Current:					
General Government	\$62,984	\$57,685	\$54,013	\$10,947	\$11,351
Health and Rehabilitation	11,862	11,277	10,158	10,505	10,175
Justice	128,525	123,635	117,513	109,317	101,916
Transportation	1,361,221	1,328,083	1,279,623	1,200,325	1,061,861
Capital Outlay	84,846	42,837	81,431	33,530	33,523
Intergovernmental:					
Cities	260,710	236,675	232,371	185,693	157,398
Counties	234,563	212,937	229,420	211,707	186,589
Special Districts	67,459	46,917	33,836	44,052	40,496
Federal	14	--	--	--	--
Other	1,196	582	254	204	620
TOTAL EXPENDITURES	2,213,380	\$2,060,628	\$2,038,619	\$1,806,280	\$1,603,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(130,785)	\$19,419	\$27,614	\$148,375	\$198,929
OTHER FINANCING SOURCES (USES):					
Transfer In	\$83,715	\$204,713	\$9,796	\$10,962	\$1,045
Transfer Out	(148,017)	(181,703)	(182,761)	(227,051)	(225,056)
Sale of Capital Assets					
Proceeds of Bond Issuance	142,543				
Advances from Private or Public Sources					
Insurance Recoveries	1,843	432	3,539	543	143
Note/Bond/COP Refunding Issuance		-	-	-	-
Bond/COP Premium Refunding Proceeds		-	-	-	-
Bond/COP Refunding Payments		-	-	-	(31,312)
Other	80,084				
TOTAL OTHER FINANCING SOURCES (USES)	\$23,442	\$(169,426)	\$(215,546)	\$(224,255)	\$(224,255)
NET CHANGE IN FUND BALANCES	\$(50,701)	\$42,861	\$(141,812)	\$(67,171)	\$(25,326)
FUND BALANCE, JULY 1	\$1,031,421	\$988,560	\$1,130,372	\$1,197,543	\$1,222,993
Net Residual Equity Transfers-In (Out)					
Prior Period Adjustment		-	-	-	(124)
FUND BALANCE, JUNE 30	\$980,720	\$1,031,421	\$988,560	\$1,130,372	\$1,197,543

¹ See Notes 4 and 5 to the State's Fiscal Year 2016-17 CAFR (appended to this Official Statement as **Appendix A**) for a description of the Highway Users Tax Fund and the basis of accounting used.

Source: State audited financial statements, Fiscal Years 2011-12 through 2015-16.

HUTF Revenues Received by CDOT

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal years 2009-10 through 2018-19 that would have been available to pay Base Rentals.

**HUTF Revenue to CDOT
Available to Pay Base Rentals
Fiscal Years 2009-10 through 2018-19
(Dollars in millions)**

<u>Fiscal Year</u>	<u>HUTF Revenue¹</u>
2010	\$406.0
2011	409.9
2012	414.0
2013	406.2
2014	418.6
2015	436.0
2016	438.5
2017	450.1
2018	459.4
2019	457.3

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

Source: CDOT

CDOT Employee Retirement Plan

The following table sets forth CDOT's contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUF revenues for Fiscal Years 2013-14 through 2017-18.

**CDOT Contributions to PERA
Fiscal Years 2013-14 through 2017-18**

<u>Fiscal Year</u>	<u>Dollar Amount of CDOT Contribution to PERA</u>	<u>Contribution as a Percentage of HUTF Revenues</u>
2014	\$30,037,046	7.2%
2015	32,331,268	7.4
2016	33,878,107	6.2
2017	35,825,179	8.0
2018	37,700,000	6.6

Source: CDOT

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal year 2016-17, excluding CDOT enterprises and internal service funds, was \$1.126 billion. See additional information on the pension plan and funding in **Appendix J** – "STATE PENSION SYSTEM."

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G
OSPB June 2018 Revenue Forecast

As discussed in **Appendix E** – “THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts,” the OSPB prepares quarterly economic and revenue estimates and is currently forecasting for Fiscal Years 2017-18 through 2019-20. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts.

The most recent OSPB Revenue Forecast was issued on June 20, 2018, and is included in its entirety in this Appendix. The pagination of this Appendix reflects the original printed document.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also “PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements” at the beginning of this Official Statement.

[Remainder of page intentionally left blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]



COLORADO
Office of State Planning
& Budgeting

June | 2018



The Colorado Outlook

Economic and Fiscal Review





Table of Contents

Summary 3

The Economy: Issues, Trends, and Forecast 4

Summary of Key Economic Indicators24

General Fund and State Education Fund Revenue Forecast30

General Fund and State Education Fund Budget35

Cash Fund Revenue Forecast.....39

Taxpayer’s Bill of Rights: Revenue Limit45

Governor’s Revenue Estimating Advisory Committee.....48

Appendix – Reference Tables49

John W. Hickenlooper
Governor

Henry Sobanet
Director

Jason Schrock
Deputy Director

Leila Kleats
Chief Economist

Luke Teater
Senior 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](https://twitter.com/COBudgetOffice).

Connect with us on Facebook by searching *CO Budget Office*.

Front page photos courtesy of Colorado Tourism.



Summary

- Relative to the March projections, the FY 2017-18 forecast of recurring General Fund revenue sources is lower by \$80.3 million, or 0.7 percent. However, due to the receipt of a one-time \$110.7 million settlement payment with tobacco companies related to the terms of the Tobacco Master Settlement Agreement, the overall General Fund revenue forecast for FY 2017-18 is higher by \$30.3 million, or 0.3 percent. The forecast for FY 2018-19 is higher by \$131.9 million, or 1.1 percent.
- After a modest 3.1 percent increase in FY 2016-17, General Fund revenue is forecast to increase at a much stronger rate of 13.1 percent in FY 2017-18 due to a pickup in economic growth, a rebound in corporate income tax receipts, robust investment income gains, and the federal tax changes. General Fund revenue is projected to increase at a modest 4.1 percent rate in FY 2018-19 due primarily to slower income tax revenue growth.
- The General Fund reserve is projected to be \$536.7 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. During the 2018 legislative session, the reserve requirement was increased to 7.25 percent beginning in FY 2018-19. The General Fund reserve is projected to be \$130.6 million above the higher required reserve amount under this forecast and FY 2018-19's budgeted expenditures, including the transfer of \$495 million General Fund for transportation infrastructure pursuant to SB 18-001.
- Cash fund revenue is projected to decrease by 16.5 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 \$78.8 million, or 3.6 percent, higher compared with projections in March, largely due to higher-than-expected revenue to severance tax cash funds and to the large group of cash funds referred to as "other miscellaneous cash funds." FY 2018-19 cash fund revenue is expected to grow 6.0 percent.
- TABOR revenue is projected to be below the cap by \$63.1 million in FY 2017-18 and \$27.8 million in FY 2018-19. TABOR revenue is expected to exceed the cap by \$10.8 million in FY 2019-20. Under this forecast, the refund of the FY 2019-20 excess revenue will occur through senior homestead and disabled veterans property tax exemption expenditures in FY 2020-21.
- Colorado's economy continues to experience solid growth with expectations of ongoing expansion. Business confidence remains positive, while oil production remains near record levels. Colorado employment growth has accelerated moderately, highlighted by increases in the labor force participation rate and average hourly wages. Economic growth has been widespread across most industries. However, continued tight labor markets and rising home prices are expected to constrain growth throughout the forecast period.
- Most signs point to positive growth ahead, with a relatively low risk of recession in the near term. However, U.S. trade policy has generated some concern among U.S. producers who fear retaliatory tariffs may increase cost pressures. The potential disruption in supply chains and curtailment of business investment could cause the U.S. economy to slow. Although the expectations of investors, businesses, and households for future economic prospects currently remain positive, such expectations could reverse abruptly with the development of adverse events.



The Economy: Issues, Trends, and Forecast

The following section discusses overall economic conditions in Colorado, nationally, and around the world. The economy has mostly performed as expected in recent months with continued expansion. The OSPB forecast for U.S. economic conditions has been slightly revised from the March 2018 Colorado Outlook, primarily to reflect stronger economic and employment growth in the first quarter of 2018. Colorado's forecasted employment growth has been revised upwards as well due to stronger-than-expected job gains in 2018. This section includes an analysis of:

- Economic and labor market conditions in Colorado (page 5)
- Economic and labor market conditions for the nation (page 17)
- International economic conditions (page 22)

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 economy continues to experience strong growth with expectations of ongoing expansion. Business confidence remains positive, while oil production (though not oil employment) remains near record levels. Year-to-date in 2018, Colorado employment growth has been strong, highlighted by increases in the labor force participation rate and in average hourly wages. Economic growth has been widespread, benefiting most industries. Though momentum is weak in the agricultural industry, rural economies have seen some relief in 2018 due to declining farm rental rates and modest increases in crop prices. In the overall economy, continued tight labor markets and rising home prices are expected to constrain growth.

Nationally, the economy continues to expand with most leading indicators suggesting ongoing growth. The unemployment rate and share of part-time workers continue to decline, while the quit rate suggests greater labor market confidence. Corporate earnings continue to strengthen and stock markets remain high. Business confidence is strong despite a marginal increase in economic policy uncertainty in response to U.S. trade policy. Importantly, the economy continues to shake off occasional market shocks, suggesting a strong foundation for continued growth.

Economic risks— With the U.S. economy poised to set a new record for its longest expansion, some analysts may be unusually cautious. Nonetheless, most signs point to positive growth ahead, with a relatively low risk of recession in the near term. Tighter monetary policy in response to increased inflation continues to be a concern; however, markets appear to have priced in the possibility of more frequent Federal Reserve rate hikes. U.S. trade policy has generated some concern among U.S. producers who fear retaliatory tariffs may increase cost pressures. U.S. economic growth could stumble under a global trade war as price increases and economic uncertainty curtail business investment and disrupt supply chains.

Global growth has slowed slightly in recent months, particularly in the Eurozone, as shifts in the political landscape threaten the union. Our forecasting process investigates areas of the economy which may indicate recession or unsustainability based on past recessions. For all forecasts, it is prudent to keep in mind that conditions with the ability to weaken growth are difficult to foresee. Although the expectations of investors, businesses, and households for future economic prospects currently remain positive, such expectations could reverse abruptly with the development of adverse events.



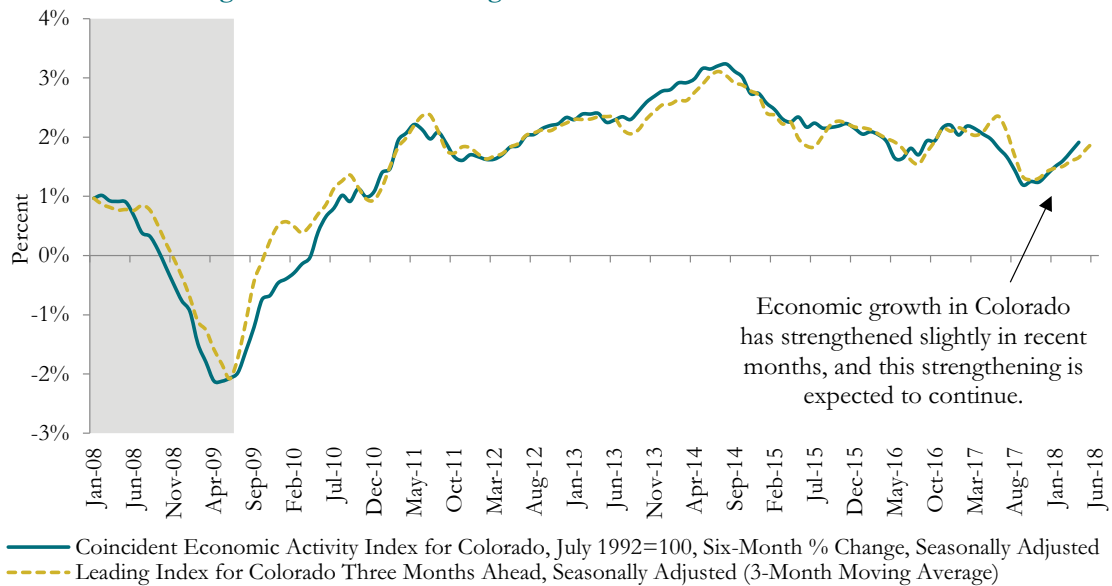
Colorado Economic Conditions

Indices that measure Colorado’s economy show slightly stronger growth – As shown in Figure 1, the Federal Reserve Bank of Philadelphia’s monthly Leading Index for Colorado indicates modestly stronger growth for Colorado’s economy in the near term. The Leading Index combines economic indicators which have been found to precede changes in overall economic momentum. These include housing permits, initial unemployment insurance claims, and delivery times from vendors to producers.

Another index of broad economic activity for Colorado shows that economic growth has accelerated slightly. The Federal Reserve Bank of Philadelphia’s Coincident Economic Activity Index provides a broad, up-to-date measure of state economic activity and matches growth in a state’s gross domestic product (GDP) over time. It combines four state-level indicators to track current economic conditions: employment, average hours worked in manufacturing, the unemployment rate, and inflation-adjusted wage and salary disbursements. Movement in the Coincident Economic Activity Index is predicted by the Leading Index. To show this relationship, Figure 1 overlays the leading index, advanced three months ahead, with the coincident index.

Economic indices that measure broad economic activity show continuing growth for Colorado.

Figure 1. Colorado Leading and Coincident Economic Indices

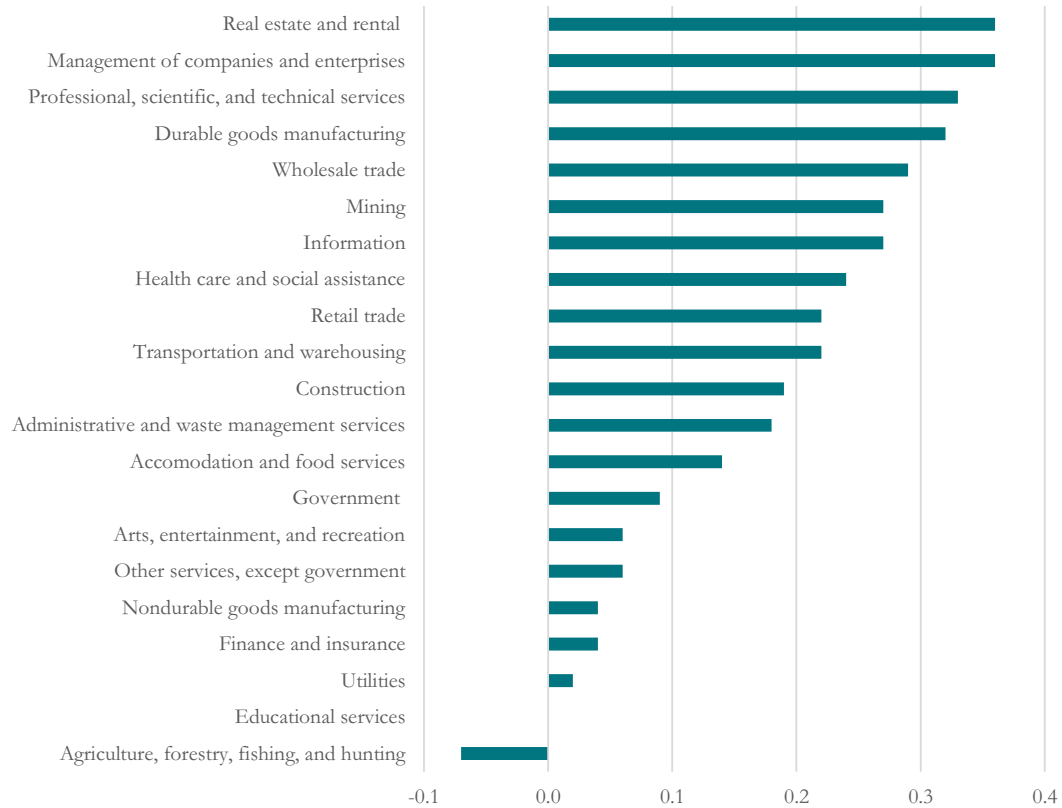


*Shaded areas represent recessions.
 Source: Federal Reserve Bank of Philadelphia

Economic growth has been widespread across most sectors – In 2017, Colorado’s inflation-adjusted gross domestic product (GDP) increased 3.6 percent over the prior year. This ranks 2nd fastest among states in terms of growth, beat only by Washington, which experienced 4.4 percent growth. As shown in Figure 2, economic growth has been widespread with all but the agriculture and forestry and educational services sectors contributing to the overall growth rate. The strongest contributors to growth included real estate and rental, management, and professional and technical services. The mining and extraction, durable goods manufacturing, and health care sectors also performed well. Colorado has benefited from a relatively diverse industry mix, which helps insulate the state economy from fluctuations within particular industries.



Figure 2. Sector Contributions to CO GDP Growth, 2017



Source: Bureau of Economic Analysis

Expectations for the state economy remain high – The Leeds Business Confidence Index, published by the University of Colorado at Boulder’s Leeds School of Business, measures business expectations for the current and upcoming quarters. Figure 3 shows the index for business expectations for the overall state economy as well as for capital expenditures since the Great Recession and through the third quarter of 2018.

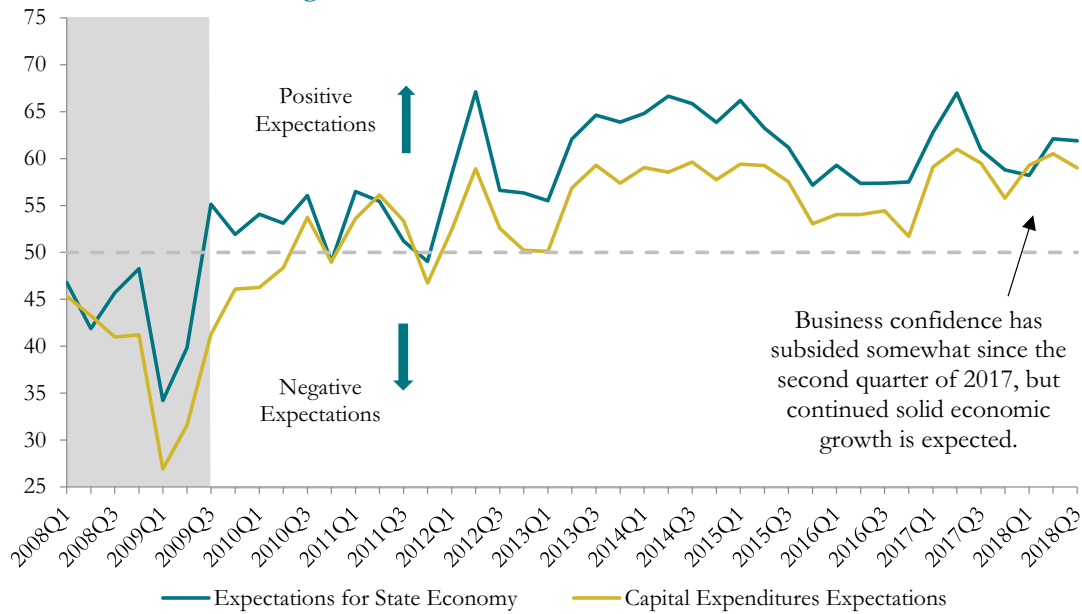
Businesses’ expectations for the economy remain positive and supportive of continued growth.

In recent quarters, expectations for Colorado’s economic growth have remained high. This continues the rebound seen beginning in very late 2016, following slower economic conditions in 2015 and early- to mid-2016. Energy price improvements and a stronger global economy have contributed to the confidence reported since the first half of 2017.

Expectations for the economy are a key factor for future performance. When expectations are positive, businesses are more likely to hire and invest, which in turn facilitates economic growth. Currently, the Leeds Index suggests economic growth will remain positive in the near-term.



Figure 3. 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. Shaded areas represent recessions.
 Source: CU Leeds School of Business, Business Research Division

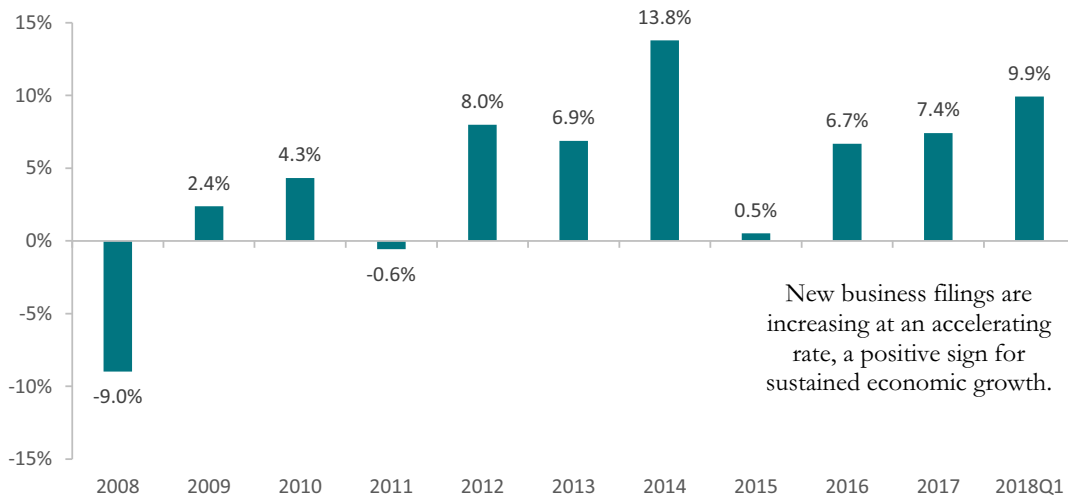
New business formation continues to grow, led by increases in limited liability companies — Trends in business formation are important for assessing the economy’s underlying momentum. Increased levels of business formation indicate that individuals are seeing more opportunities in the economy. Since most new jobs are created by new businesses, business formation is also an important indicator of future job growth.

Filings for new businesses continue to grow, which will help foster sustained economic and job growth in the near term.

Data from the Colorado Secretary of State indicate that a total of 35,672 new business filings were recorded in the first quarter of 2018, the highest total of any quarter since the Great Recession. Filings for new companies were up 9.9 percent in the first quarter over the year before. This higher level of new business activity will foster continued economic and employment growth for the state. However, when reviewing this data one should also consider the effect the 2017 federal Tax Cuts and Jobs Act may have had on business formation and restructuring as organizations look to minimize tax liability. To the extent that this has happened, it would increase the number of new entity filings above the number that would have occurred without the federal tax changes.



Figure 4. Year-over-Year Change in New Entity Filings to Do Business in Colorado



Source: Colorado Secretary of State

Colorado oil production remains near record levels, but further growth is likely to be constrained by infrastructure bottlenecks

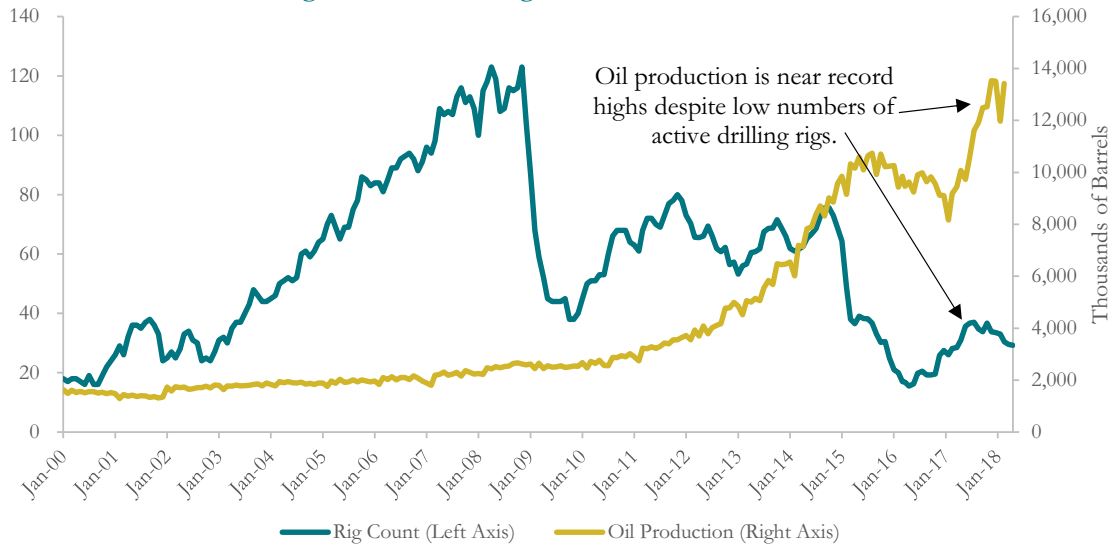
Colorado oil production expanded significantly throughout 2017; December 2017 production was more than 48 percent higher than the year before. Much of this increase has been driven by higher prices caused by OPEC’s (the Organization of the Petroleum Exporting Countries) production cuts, which went into effect in early 2017. While global oil demand continues to rise, and OPEC production limits remain in effect, pipeline limitations near the Cushing, Oklahoma distribution hub will likely constrain further growth of Coloradan oil production in the near term.

Colorado oil production grew significantly in 2017, reaching record highs despite a low rig count.

Since a shift to more efficient drilling techniques following the 2015-2016 industrial downturn, the current record levels of production are not reflected in the active rig count. Due to increasing productivity per rig, the active rig count remains only moderately above historical lows, as seen in Figure 5.



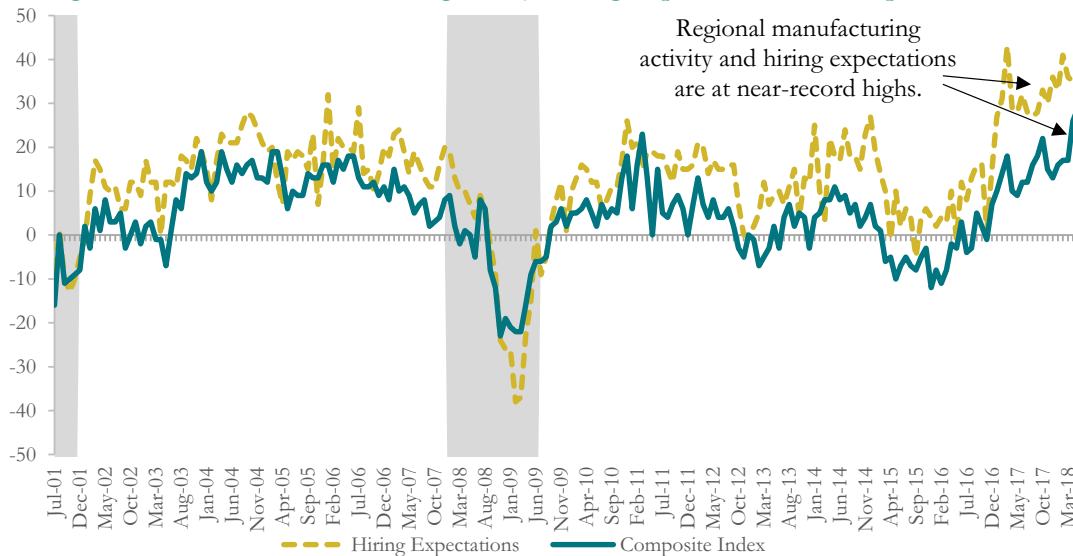
Figure 5. Colorado Rig Count and Oil Production



Source: U.S. Energy Information Administration, Baker Hughes

The regional manufacturing sector continues to expand rapidly – Manufacturing activity has been expanding since the fall of 2016, as improved global economic growth and higher oil and gas prices have outweighed the pressure of a strong dollar, which can dampen exports. The Federal Reserve Bank of Kansas City’s 10th District Manufacturing Survey, which includes Colorado, reports that in April and May the composite index recorded its highest levels since the survey began in 2001. Expectations for future activity and hiring remain elevated as new orders outpace production capacity, resulting in order backlogs.

Figure 6. 10th District Manufacturing Survey: Hiring Expectations and Composite Index



*Shaded areas represent recessions.

Source: Federal Reserve Bank of Kansas City



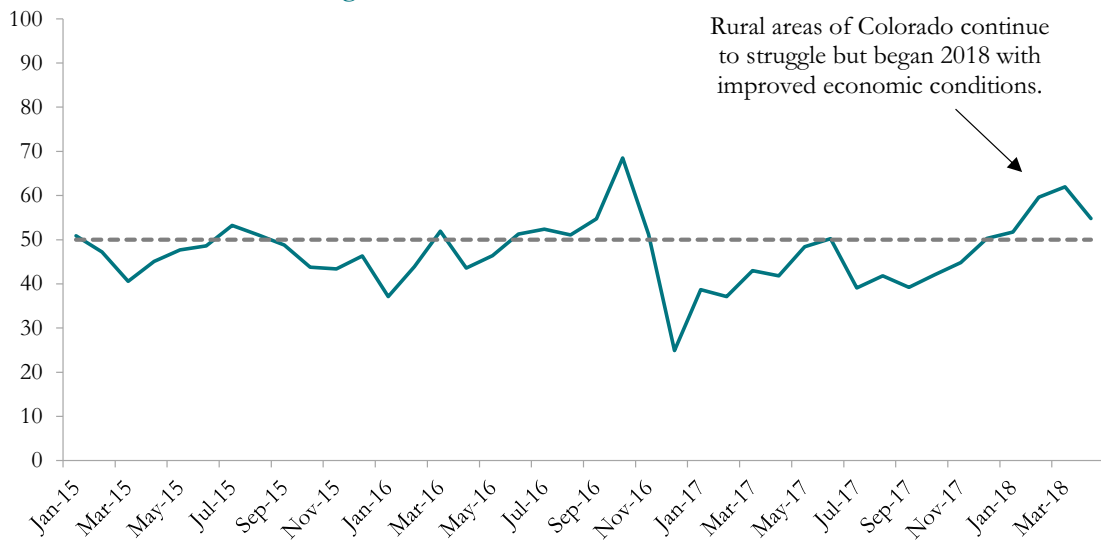
The manufacturing sector’s employment outlook is also improving. The regional manufacturing survey index reports that six-month ahead employment expectations remain near record levels. Since the beginning of 2017, hiring expectations have remained higher than at any other point since the onset of the Great Recession.

The Colorado agricultural industry experienced slight improvement in recent months — Despite rising interest rates, farmland values remain stable; however, farm incomes continue to decline, but at a slowing rate. While crop prices remain low, moderate price increases and declining farmland rental rates could help improve farm cash flow and profitability.

Declining cropland rental rates and modest crop price increases are mitigating the decline in regional farm incomes.

According to Colorado’s Rural Mainstreet Index, published by Creighton University, the state’s rural economies are experiencing expanding economic conditions this year for the first time since 2016, as shown in Figure 7. The Mainstreet 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 a reading of 39.2 in September, the index climbed to a 17-month high of 62.0 in February before declining slightly to 54.8 in April.

Figure 7. Colorado’s Rural Mainstreet Index

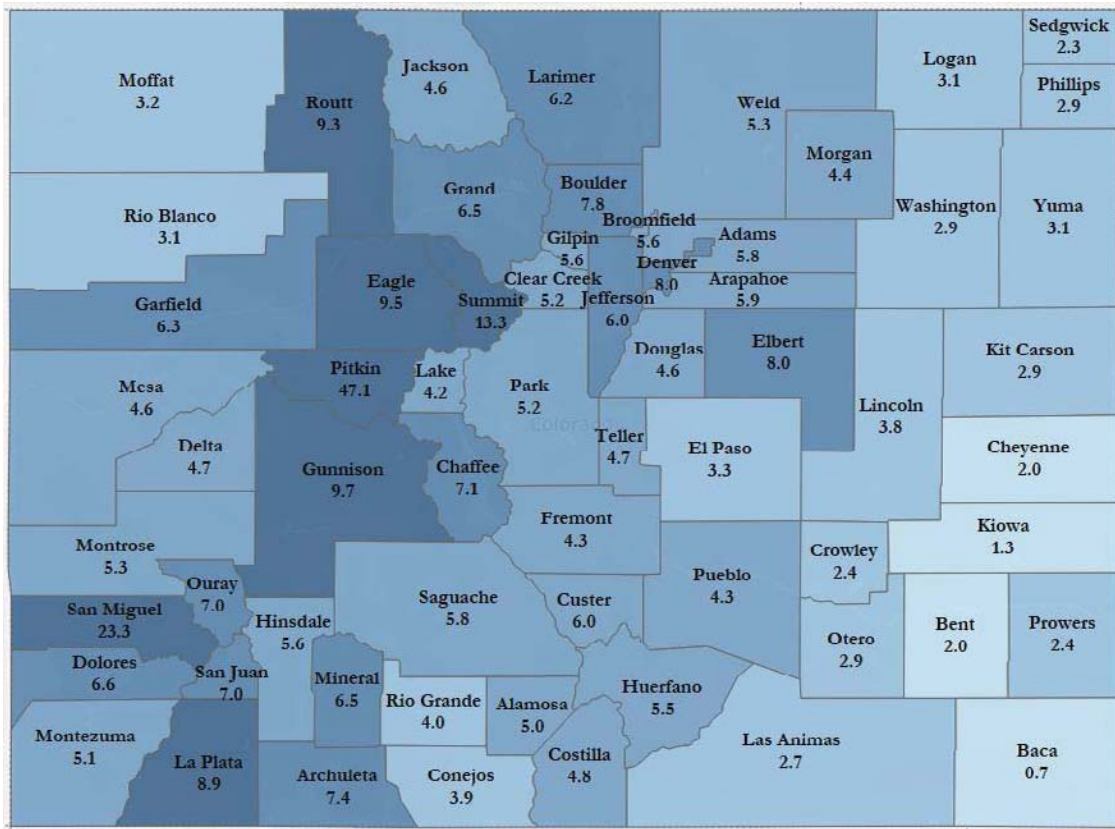


Source: Creighton University

Colorado home prices remain well above traditional measures of affordability — Strong economic and population growth, in conjunction with low levels of housing construction, have resulted in significant increases in residential home prices in most parts of the state. Historically, home prices have averaged about 3.5 times an area’s annual household income, a level often used to define housing affordability. In recent years, however, rapidly rising home prices have outpaced household income. Figure 8 shows the ratio of home prices to household income for each county in Colorado. Counties shown in darker blue have home prices that are further above annual household incomes. Note that while many counties are above the benchmark 3.5 level, housing is more affordable in eastern Colorado and far northwestern Colorado.



Figure 8. Median Home Price to Household Income Ratio, Prior 12 Months



Source: Colorado Association of Realtors, U.S. Census Bureau

Colorado job growth has accelerated despite a tight labor market –The state’s sustained economic expansion is driving strong employment gains despite near-record-low unemployment and slower in-migration. Figure 9 shows monthly year-over-year job growth for the state since the beginning of 2015. Growth peaked in February 2015 at 3.8 percent and slowed over the course of 2015 and 2016. Since late 2017, however, job growth has been accelerating and is now at 2.7 percent, matching the fastest growth rate recorded since the end of 2015.



Figure 9. Colorado Year-over-Year Employment Growth



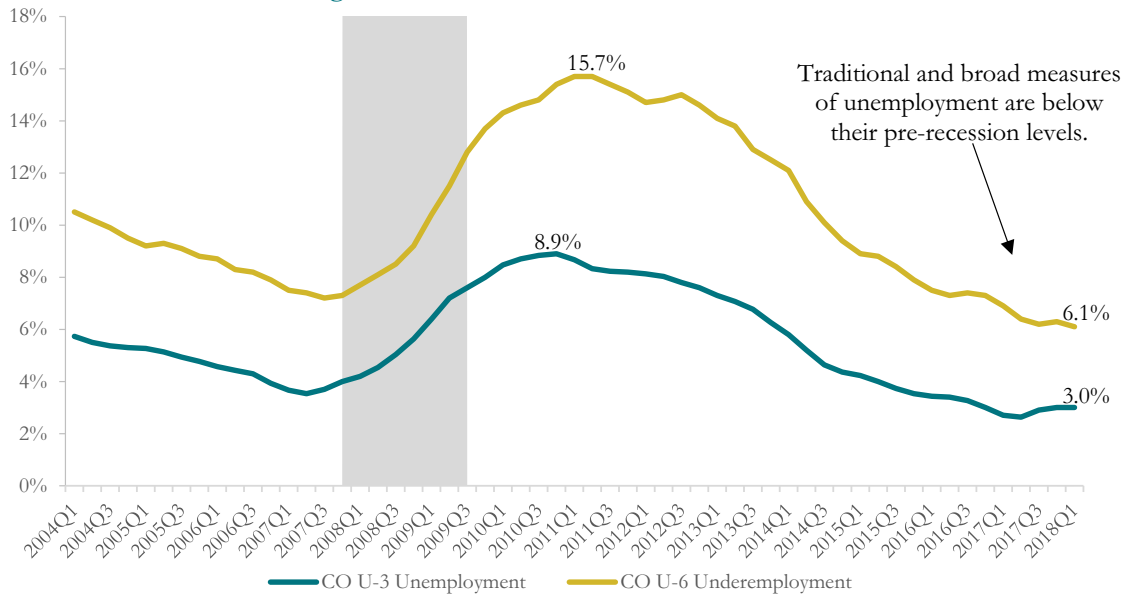
Source: Bureau of Labor Statistics, Colorado Department of Labor and Employment

State unemployment and underemployment are among the lowest in the nation – Colorado unemployment fell to 2.9 percent in April, below its first quarter rate of 3.0 percent. The broadest measure of unemployment is the “U-6” rate, which counts unemployed individuals, individuals who would like to work but have not looked for a job in the prior four weeks, and part-time workers who would like full-time employment. The U-6 rate was at 6.1 percent in the first quarter of 2017, which is the 4th lowest rate in the U.S. While this creates a positive environment for job seekers, the state’s low unemployment is making it difficult for employers to find qualified candidates to fill open positions.

The broadest measure of unemployment was at a 6.1 percent rate for Colorado over the four quarters ending in the first quarter of 2018, the 4th lowest rate in the nation.



Figure 10. Colorado’s U-3 Rate and U-6 Rate



*Shaded areas represent recessions.

Source: Bureau of Labor Statistics

Colorado’s tight labor market is contributing to higher wages – The 3-month average of Colorado’s year-over-year wage growth was 3.9 percent in April and has been above 3.0 percent since September. This increase is likely at least partially due to the lack of available workers, as there are 57 percent more online job postings than unemployed people in Colorado. As employers struggle to fill positions, they often need to raise wages in order to recruit and retain workers.

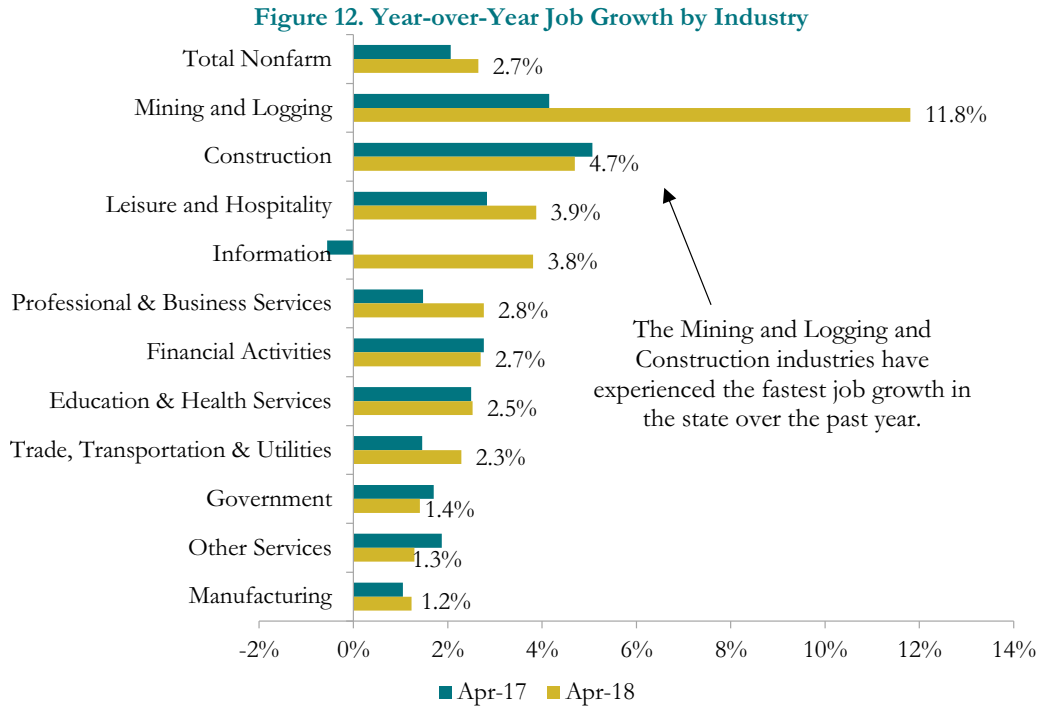
Figure 11. Colorado Average Hourly Earnings Year-over-Year Growth (3-month moving average)



Source: Bureau of Labor Statistics



Colorado job growth has accelerated, led by the energy and construction industries – As seen in Figure 12, the state’s sustained economic expansion continues to generate broad employment gains across industries. The mining and logging sector, which includes oil and gas, registered the fastest job growth at 11.8 percent as it rebounds from the 2015-2016 energy downturn. The construction industry experienced the second-fastest job growth, recently surpassing its pre-recession peak of 170,000 employees.

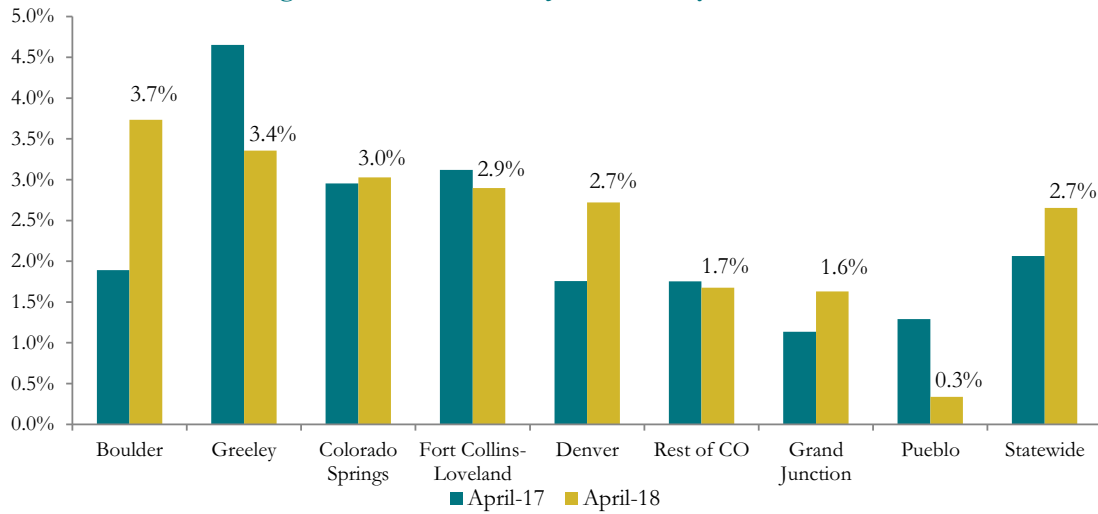


Source: Colorado Department of Labor and Employment

Among metro areas, Boulder and Greeley experienced the most job growth over the last twelve months, at 3.7 percent and 3.4 percent respectively. Colorado Springs and Fort Collins also experienced above-statewide average job growth, while every metro area gained jobs over the year.



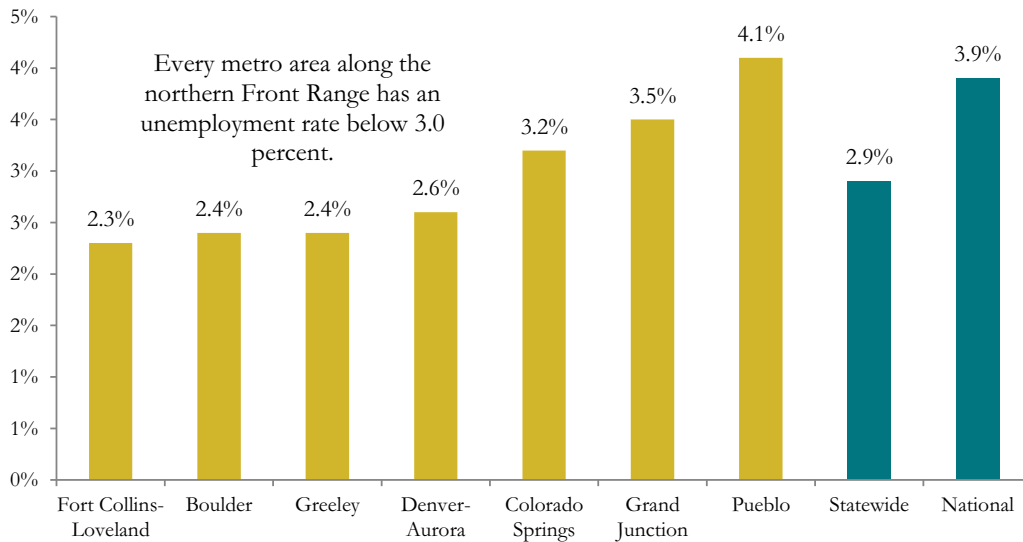
Figure 13. Year-over-Year Job Growth by Metro Area



Source: Colorado Department of Labor and Employment

Pueblo, which experienced the slowest annual job growth in the state, also had the highest unemployment rate, at 4.1 percent, and was the only metro area with an unemployment rate above the national average of 3.9 percent in April. The four metro areas of the northern Front Range all had unemployment rates below 3.0 percent.

Figure 14. Unemployment Rates by MSA, April 2018



Source: Bureau of Labor Statistics

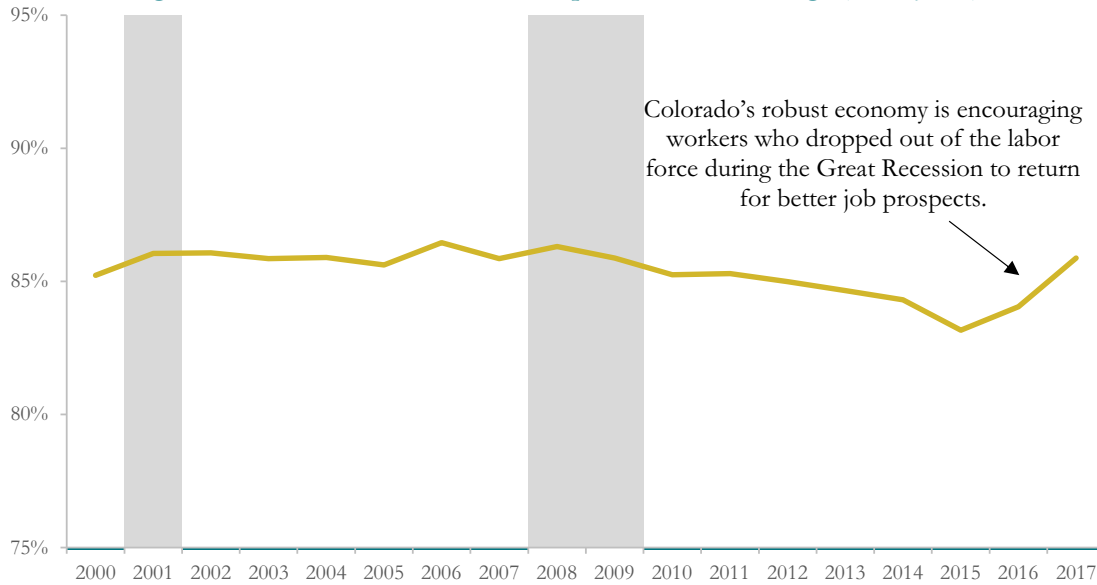


Colorado’s labor force has increased, allowing strong job growth to continue

– The state’s labor force has been growing at a stronger rate since 2016. This is likely a result of workers who had previously dropped out of the labor force returning in response to strong job prospects and rising wages. As shown in Figure 15, the labor force participation rate for prime age workers, those 25 to 54 years of age, has recovered from the losses seen following the Great Recession. However, growth is unlikely to continue at the current pace without increased in-migration. Such strong labor force growth has allowed statewide job growth to continue at a healthy rate despite the low unemployment rate.

Colorado’s prime-age labor force participation rate increased from 83.2 percent in 2015 to 85.9 percent in 2017, a sign that workers are feeling more confident in the labor market.

Figure 15. Colorado Labor Force Participation Rate, Prime Age (25-54 years)



*Shaded areas represent recessions.
Source: Colorado Department of Labor and Employment



U.S. Economic Conditions

Leading economic indicators point to continued growth – An assortment of closely watched leading economic indicators suggests that economic growth is likely to continue. Certain economic indicators tend to exhibit changes in trajectory before the economy as a whole, and therefore can be useful as predictors of economic trends and changes in the business cycle. For example, the number of new housing permits is an important leading indicator. When a new housing permit is applied for, it is soon followed by the construction and sale of a home, activities which positively affect the economy over a long time period. Economic research has shown new housing construction can be a reliable leading indicator of continued economic growth. Likewise, a downturn in housing construction tends to precede economy-wide recessions.

While leading indicators do not always accurately portend major fluctuations in the overall economy, multiple leading indicators used in conjunction with each other can provide insights into near-term economic growth and momentum. However, business cycles are extremely difficult to predict and no information can reliably determine the business cycle in real time.

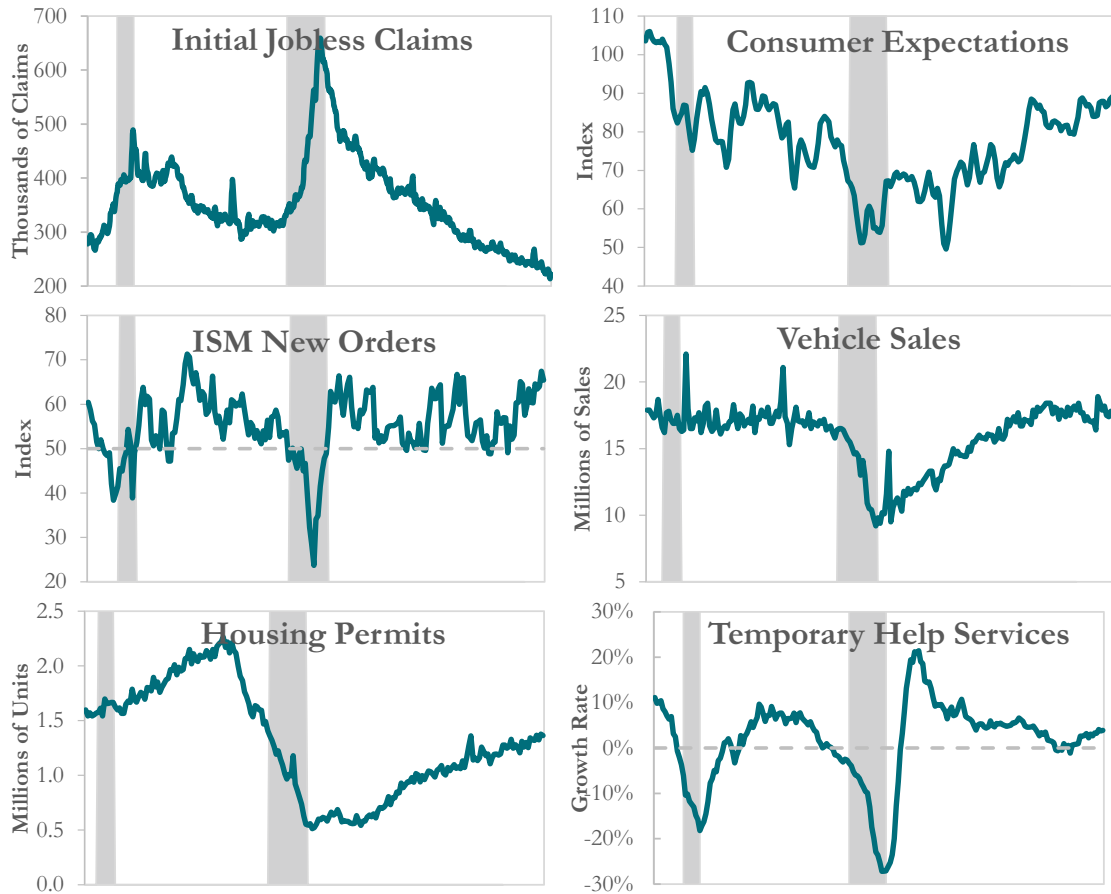
Selected leading economic indicators are all either stable or improving, a positive signal of ongoing economic expansion.

Figure 16 shows six selected leading indicators, spanning the period from January 2000 to the most recent available, which have proven to be helpful gauges on broader economic momentum. Initial jobless claims tend to rise in advance of recessions, while the other five indicators tend to fall in the period leading up to a recession.

Currently, all selected leading indicators are either stable or improving, pointing to continued economic expansion. Jobless claims have continued to fall from their 2009 peak. Consumer expectations have continued to rise. The Manufacturing New Orders Index, published by the Institute for Supply Management, has declined slightly in recent months but remains well above 50, the level which indicates increasing activity. Housing permits have continued to rise. Temporary staffing utilization is growing again after flattening during the 2015-2016 economic slowdown, indicating that businesses continue to grow. Vehicle sales provide the only moderate signal, as they have declined slightly from a peak annual rate of 18.9 million sales in September 2017 to 17.6 million in April 2018. Taken together, these indicators suggest that the current economic expansion will likely continue in the near term.



Figure 16. Selected Leading Economic Indicators, January 2000-Present



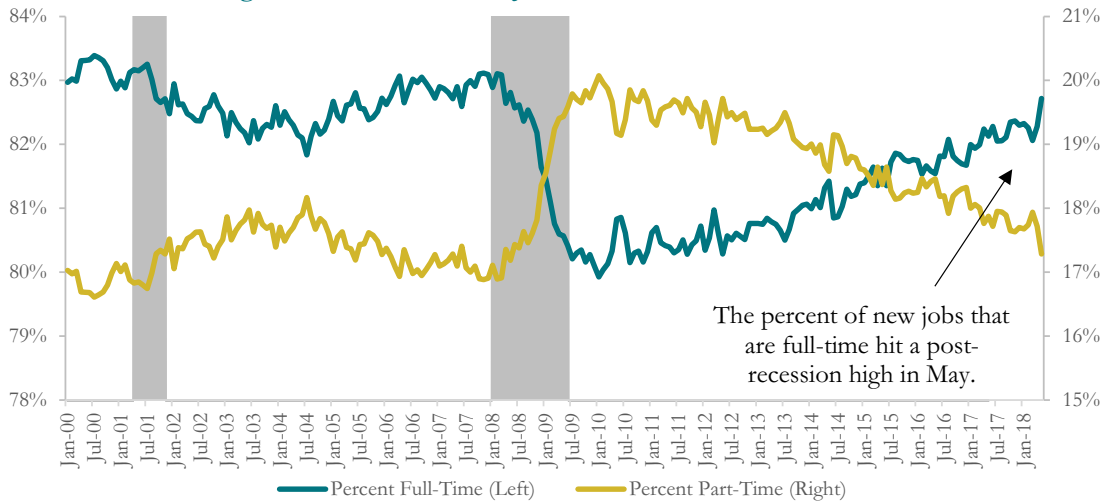
*Shaded areas represent recessions.

Source: Employment and Training Administration, University of Michigan Survey of Consumers, Institute for Supply Management, Bureau of Economic Analysis, Census Bureau, Bureau of Labor Statistics

The percentage of new jobs that are full-time positions is approaching pre-recession levels. *Job growth continues in 2018 at a slower rate*— The U.S. economy added 223,000 jobs in May, slightly more than the 197,000 average monthly job gain experienced over the prior year, while the unemployment rate fell to its lowest level since April 2000 at 3.8 percent. As shown in Figure 17, the percentage of new jobs that are full-time positions (working more than 35 hours per week) hit a post-recession high of 82.7 percent in May, a rate which continues to increase as the labor market strengthens.



Figure 17. Percent of New Jobs That are Full- and Part-Time



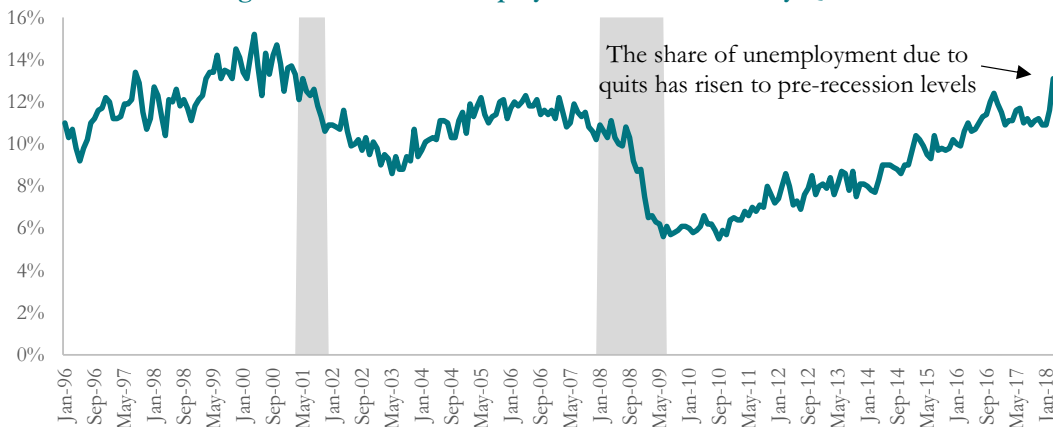
*Shaded areas represent recessions.
Source: Bureau of Labor Statistics

Workers are feeling more confident in the labor market – One measure of worker confidence in the labor market is the quit rate, or the share of employees who quit their jobs in any month. The quit rate tends to rise when the labor market is strong, as employees feel confident that they will be able to find another position, and fall when the labor market is weak, as employees cling to the jobs they have for fear of becoming unemployed.

A rising quit rate is another indicator of improved labor market conditions.

The quit rate has gradually risen from its 2009 low of 1.3 percent to 2.3 percent in April. This matches the pre-recession high of 2.3 percent in September 2005, suggesting that employees are becoming more confident in the labor market. This view is also supported by the share of unemployment due to quits, which rose to 13.8 percent in May, which is the highest rate reached since 2000. This increase in the quit rate could foretell additional wage growth as workers voluntarily leave positions for new opportunities at higher pay levels.

Figure 18. Share of Unemployment due to Voluntary Quits



*Shaded areas represent recessions.
Source: Bureau of Labor Statistics



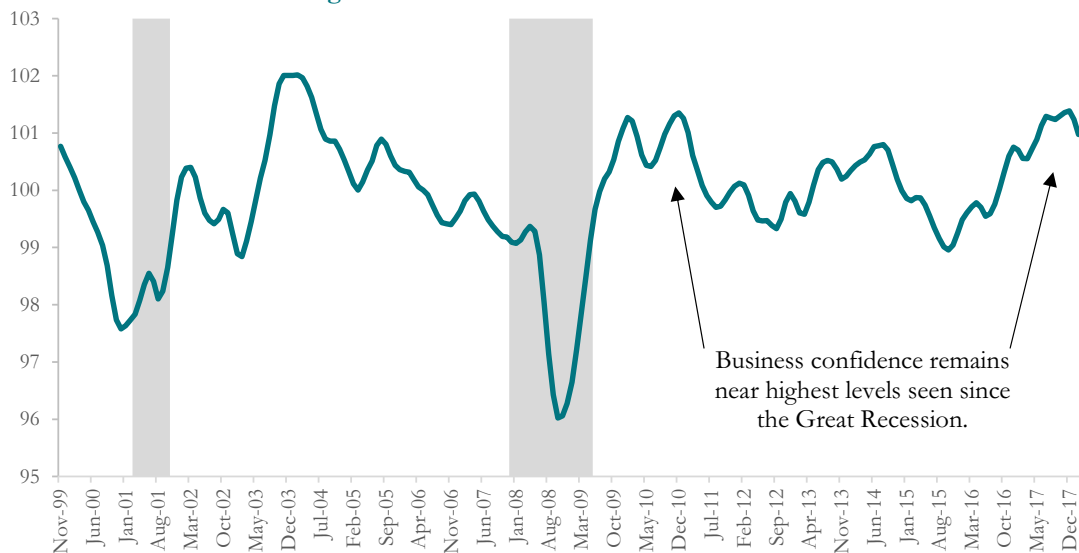
Corporate earnings and investment continue to strengthen— According to Thomson Reuters, first quarter profits for companies in the S&P 500 were 26.3 percent higher than a year ago, the highest quarterly growth rate since 2010. Research by the Wall Street Journal suggests that approximately half of this growth stemmed from lower corporate tax liabilities, largely as a result of the 2017 federal tax law changes. Corporate profits are also supported by continued strong global economic growth, which contributes to higher revenue for U.S.-based businesses that operate internationally. Capital expenditures by S&P 500 companies, meanwhile, grew by 24 percent over the prior year – the highest growth rate since 2011, according to Credit Suisse.

Global economic expansion and federal tax law changes are contributing to increased corporate earnings.

Business confidence remains at historically elevated levels — Business confidence has shown steady improvement since the fall of 2015, remaining near post-Great Recession highs. The business confidence index (BCI) published by the Organization for Economic Cooperation and Development relies on firms' assessment of production, orders, and inventory, as well as its expectations for the immediate future. The survey compares positive and negative responses to a “normal” state, thereby providing a qualitative index on economic conditions. An index level of 100 represents the long-term average.

Although the index has recently turned downward, business confidence remains at one of the highest levels seen in prior decades. Continued confidence in the U.S. economy will encourage ongoing hiring and business investment. The recent downturn is likely a response to the uncertainty regarding U.S. trade policy and the potential impact on business costs and operations.

Figure 19. U.S. Business Confidence Index



*Shaded areas represent recessions.

Source: Organization of Economic Cooperation and Development

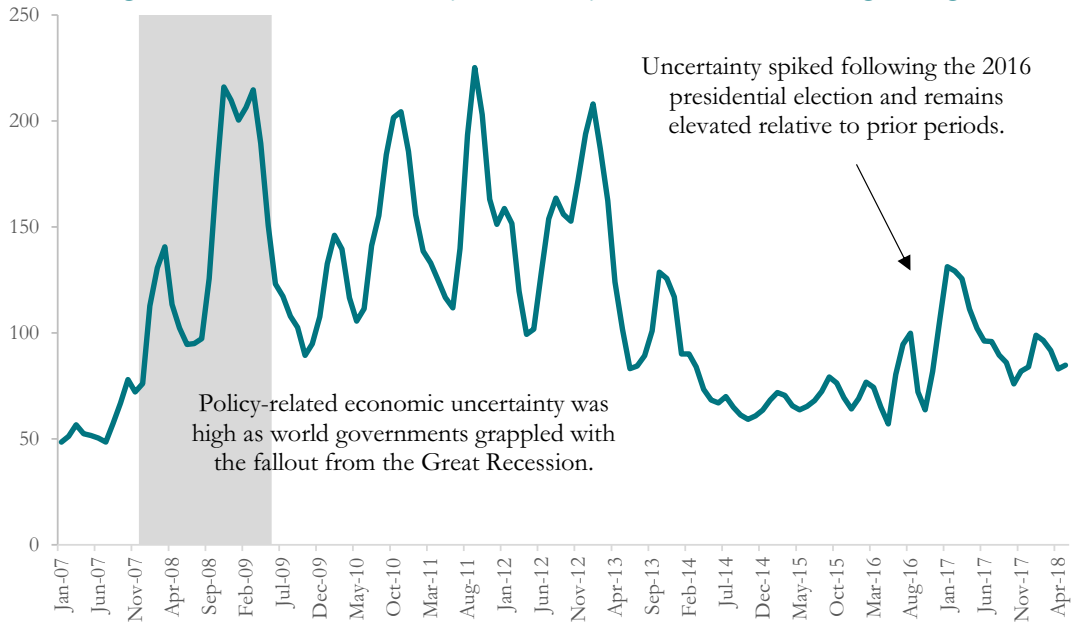
Uncertainty has remained slightly elevated in recent years — One factor which often influences business confidence is the prevalence of economic policy uncertainty. The Economic Policy Uncertainty (EPU) Index, developed by economists from Stanford University and the University of Chicago, measures the level of



uncertainty in response to potential policy decisions through an accounting of key terms in select media sources, changes in the tax code, and disagreement among national forecasters.

As shown in Figure 20, beginning with the Brexit vote in June 2016, the EPU index has shown greater levels of uncertainty compared to the two years prior, spiking just after the 2016 presidential election. Levels remained elevated in response to the uncertainty surrounding potential federal tax changes, which were enacted in December, and, more recently, with regard to trade policy. However, uncertainty was much higher earlier in the expansion.

Figure 20. U.S. Economic Policy Uncertainty Index, 3-Month Moving Average



*Shaded areas represent recessions.

Source: Baker, Scott R., Bloom, Nick and Davis, Stephen J., retrieved from FRED, Federal Reserve Bank of St. Louis

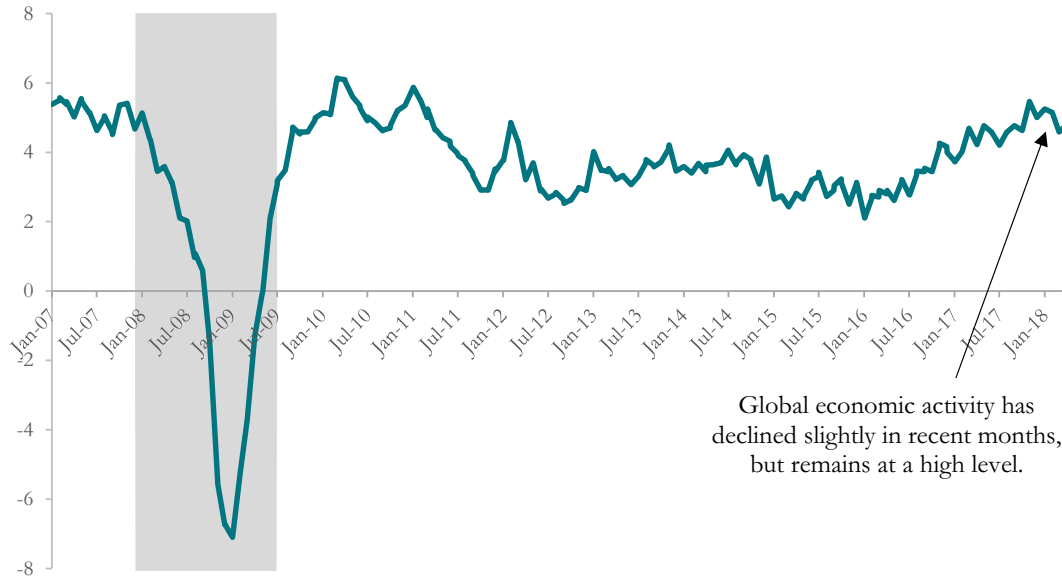


International Economic Conditions

Global economic growth has slowed slightly, but remains strong – Global economic growth has declined since its most recent high point in late 2017, but remains strong. Global growth is currently being led by developing economies and the U.S., while the European region has seen a more pronounced slowdown. Trends in global economic growth are captured by the Goldman Sachs Global Current Activity Index, a measure of real-time broad economic activity, as seen in Figure 21.

While the global economic outlook is stable, risks to the forecast include trade policy uncertainty, as well as increasing political and financial market turmoil in the Eurozone.

Figure 21. Goldman Sachs Global Current Activity Index



Global economic activity has declined slightly in recent months, but remains at a high level.

*Shaded areas represent recessions.
Source: Goldman Sachs

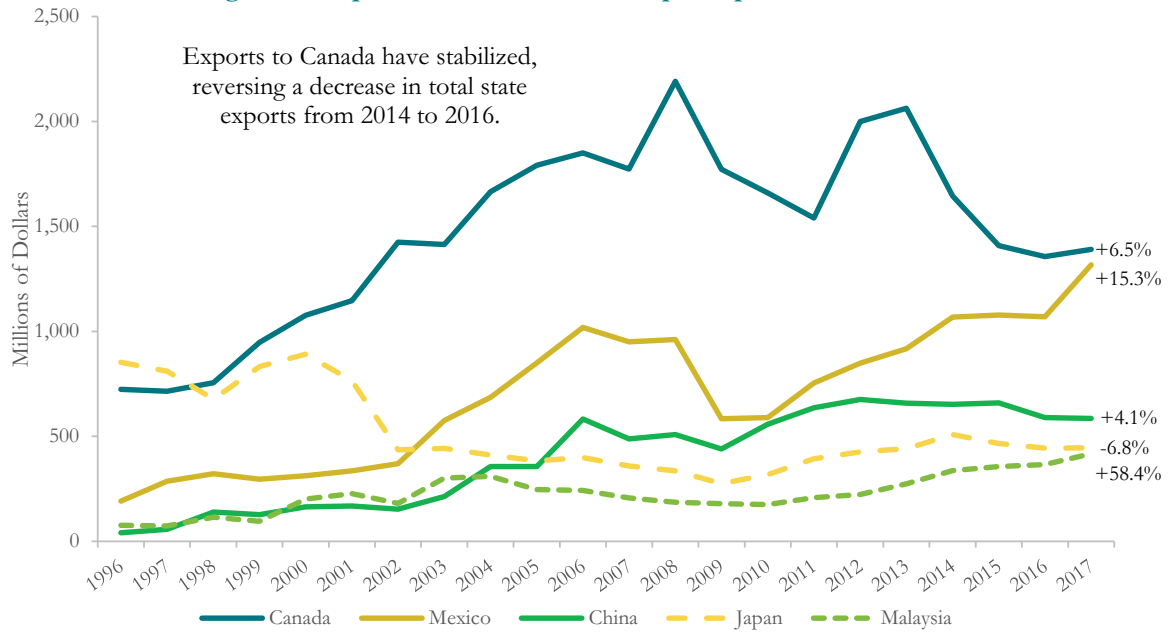
Colorado exports are growing again – After declining from 2014 through 2016, goods exports from Colorado increased by 6.2 percent in 2017 and are up by 10.6 percent year-to-date through April. As Figure 22 shows, most of the decline starting in 2014 came from reduced exports to Canada, Colorado’s top export destination. In 2018, exports to four of Colorado’s top five export destinations are increasing, led by Malaysia with a 58.4 percent increase over last year’s pace. Japan is the only top-five export destination that has seen exports fall in 2018; goods exports to Japan have fallen at a 6.8 percent rate to date.

Goods exports from Colorado increased in 2017 for the first time since 2013, and are growing again in 2018.

The main risk to trade growth is uncertainty regarding the direction of U.S. trade policy. Higher tariffs on imports would likely lead to retaliation by trading partners, which could reduce exports. In Colorado, the agriculture, manufacturing, and natural gas industries are the most export-dependent industries. While Colorado natural gas producers do not export directly to Mexico, the country imports significant amounts of U.S. natural gas. If exports to Mexico are reduced, excess supply will cause U.S. natural gas prices to fall below current levels and could reduce natural gas-related economic activity in the state.



Figure 22. Export Value to Colorado's Top 5 Export Destinations

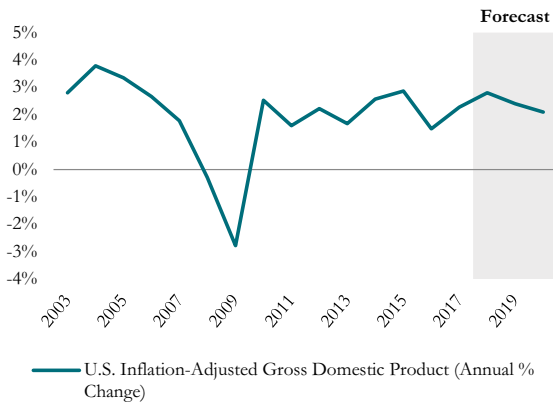


Source: WiserTrade



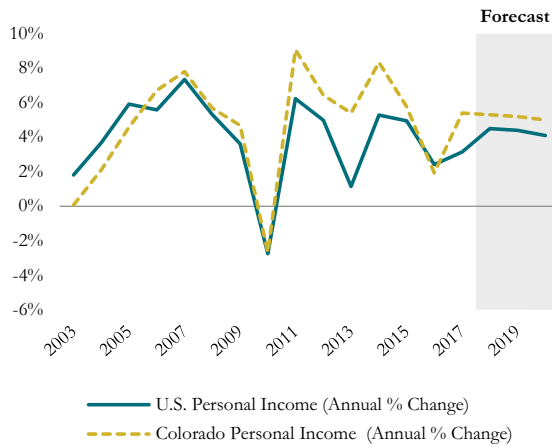
Summary of Key Economic Indicators Actual and Forecast

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 is expected to grow 2.8 percent in 2018 and 2.4 percent in 2019 as the global economic expansion continues. Labor force constraints are expected to slow GDP growth in 2020 and beyond.

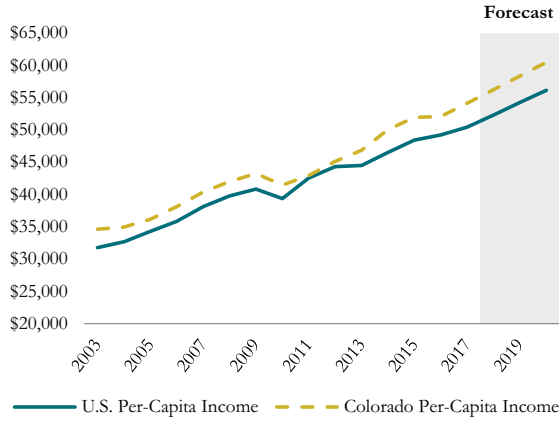
U.S. and Colorado Personal Income



- Colorado personal income growth is expected to be revised to 5.4 percent in 2017, rebounding from the economic slowdown experienced in 2016. Personal income growth is expected to slow slightly to 5.3 percent in 2018 and 5.2 percent in 2019 in response to more moderate job growth.
- U.S. personal income grew 3.1 percent in 2017 responding to stronger employment growth. Personal income growth is expected to accelerate 4.5 percent in 2018 due to solid job growth and as unemployment continues to fall. Personal income growth is expected to slow in 2019 and again in 2020 with moderating job and economic growth.

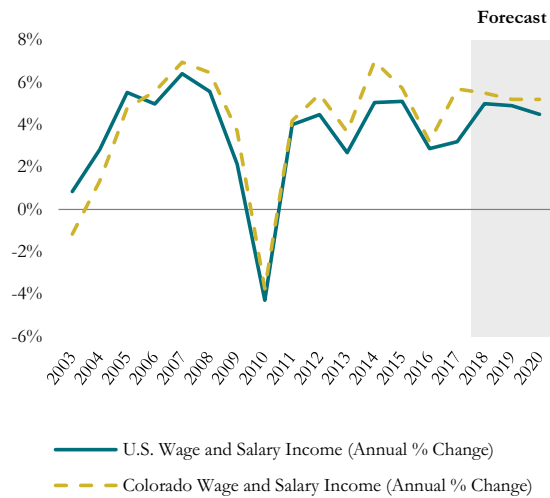


U.S. and Colorado Per-Capita Income



- Colorado per-capita income is growing faster than the nation overall, increasing to an estimated \$54,156 in 2017. It is expected to grow 3.9 percent to \$56,248 in 2018 and 3.8 percent to \$58,388 in 2019.
- U.S. per-capita income increased to a preliminary \$50,439 in 2017 and is expected to grow to \$52,339 in 2018 and to \$54,280 in 2019.

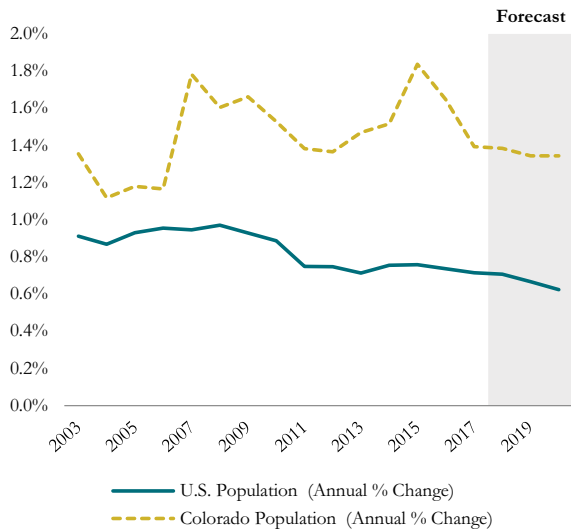
U.S. and Colorado Wage and Salary Income



- Estimated Colorado wage and salary growth accelerated to 5.7 percent in 2017 in response to ongoing strong employment growth. Growth is expected to slow to 5.5 percent in 2018 and 5.2 percent in the following years.
- U.S. wage and salary income increased 3.2 percent in 2017. Growth is expected to increase to 5.0 percent as a tighter labor market puts upward pressure on worker compensation. Wage and salary growth is expected to moderate slightly throughout the forecast period.

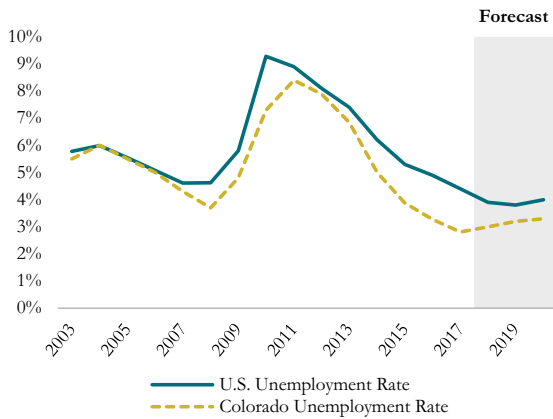


U.S. and Colorado Population



- Colorado’s population growth rate fell to 1.4 percent in 2017, as net migration decreased from earlier levels. The state’s population growth is expected to moderate over the forecast period, with total population reaching 5.8 million by 2020.
- The nation’s population growth rate will remain steady at about 0.7 percent per year, with the population reaching 330.0 million by 2019.

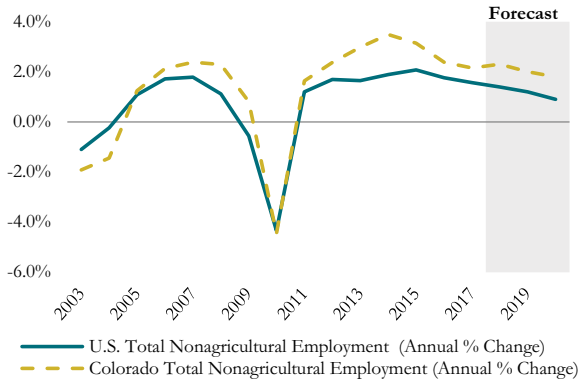
U.S. and Colorado Unemployment



- Colorado’s unemployment rate reached a post-recession low of 2.8 percent in 2017. The unemployment rate is expected to increase slightly to 3.0 percent in 2018 and 3.2 percent in 2019. Colorado will continue to experience unemployment rates among the lowest in the nation.
- The national unemployment rate continued to fall in 2017, declining to an average 4.4 percent for the year. Despite the decrease, the U.S. unemployment rate remained more than 1.5 percentage points higher than in Colorado. Continued strong employment growth will cause the rate to drop to 3.9 percent in 2018 and 3.8 percent in 2019.

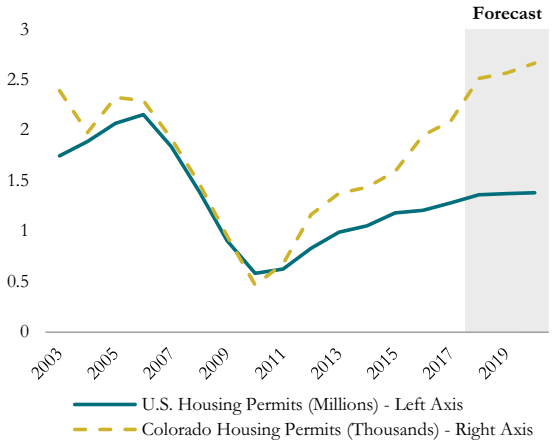


U.S. and Colorado Total Nonagricultural Employment



- Total employment in Colorado grew by 2.2 percent in 2017. Job growth will increase slightly in 2018 before slowing again in 2019 as a tighter labor market and slower in-migration constrain further growth.
- Total U.S. nonfarm payroll job growth slowed in 2017. Job growth will continue to slow nationwide as the labor market approaches full employment, with expected growth of 1.4 percent in 2018 and 1.2 percent in 2019.

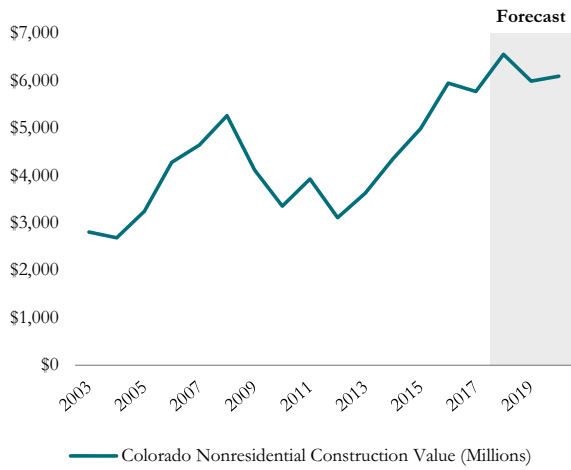
U.S. and Colorado Housing Permits Issued



- In 2017, Colorado housing permits increased 7.5 percent, with 41,911 permits issued. Housing construction will increase to 50,300 permits for 2018 with a slight increase in 2019 to 51,300. The strong growth is driven by the continued robust demand for housing and related housing price inflation.
- U.S. housing permits grew by 6.2 percent in 2017, and are expected to grow by 6.1 percent in 2018, before leveling off in 2019 with 0.9 percent growth.

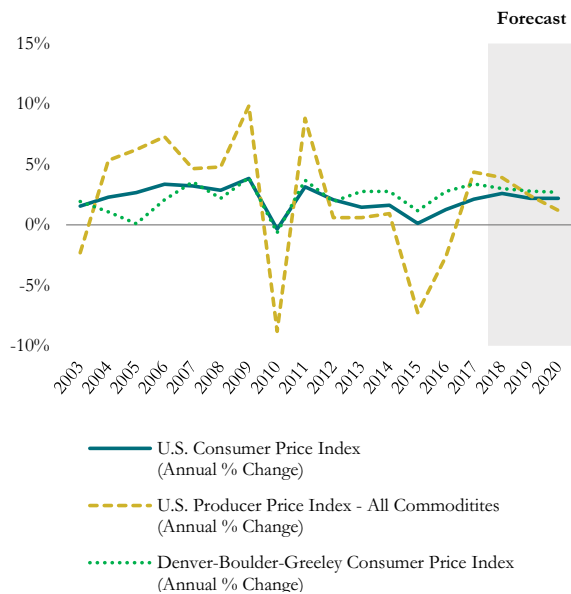


Colorado Nonresidential Construction Value



- Colorado’s nonresidential construction value fell by 3.0 percent in 2017 following four years of double-digit growth. Nonresidential construction value is expected to grow 13.5 percent in 2018 before declining slightly later in the forecast period. The slowdown in nonresidential construction will be somewhat offset by the \$937 million in construction projects authorized through the Denver bond package approved by voters last November.

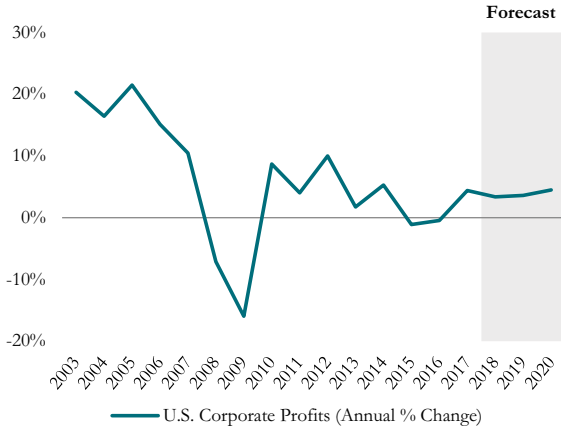
Consumer Price Index and Producer Price Index



- National consumer prices increased by 2.1 percent in 2017. U.S. CPI is expected to rise 2.6 percent in 2018 and 2.2 percent in 2019.
- Producer prices rose 4.4 percent in 2017, mostly due to a rebound in fuel prices. The index is expected to increase 3.9 percent in 2018 and 2.4 percent in 2019.
- The Denver-Aurora-Lakewood CPI (formerly the Denver-Boulder-Greeley CPI) will remain above the national average at 3.0 percent in 2018 and 2.8 percent in 2019. In 2018, the geography and data frequency of the Denver-Aurora-Lakewood CPI were revised, causing slight volatility in the data and making forecasting the CPI more difficult.

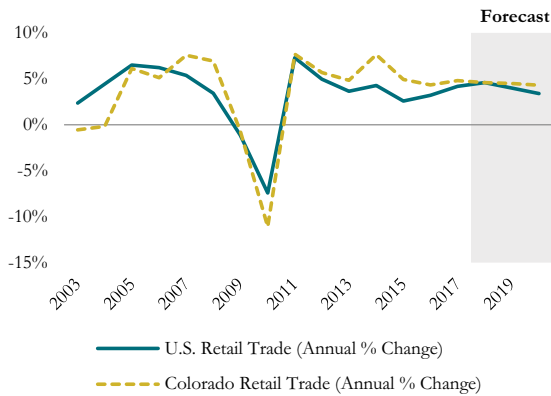


U.S. Corporate Profits



- U.S. corporate profits grew by 4.4 percent in 2017 as global economic growth and stronger energy prices increased earnings.
- Profit growth is expected to continue in coming years with forecasted growth rates of 3.4 percent in 2018 and 3.6 percent in 2019.

Retail Trade



- Colorado retail sales grew by an estimated 4.8 percent in 2017 and are expected to increase 4.6 percent in 2018 and 4.5 percent in 2019 as sales growth moderates over the forecast period.
- Nationwide retail trade increased by 4.2 percent in 2017. Sales are expected to grow 4.6 percent in 2018 and 4.0 percent in 2019 as the economic expansion continues.



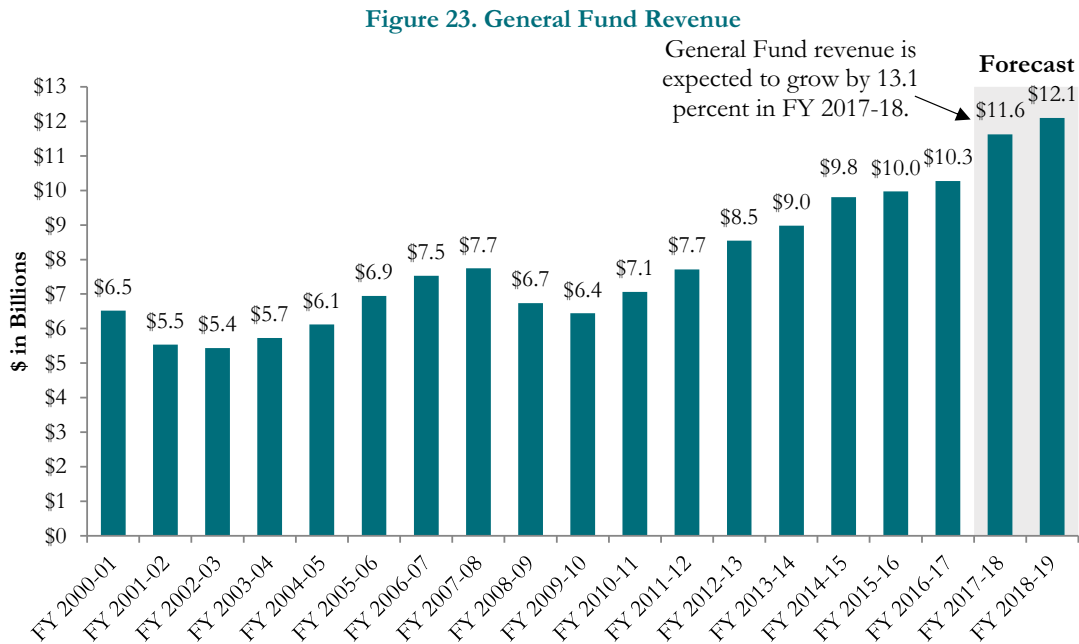
General Fund and State Education Fund Revenue Forecast

Relative to the March projections, the FY 2017-18 forecast of recurring General Fund revenue sources is lower by \$80.3 million, or 0.7 percent. However, due to the receipt of a \$110.7 million settlement with tobacco companies related to the terms of the Tobacco Master Settlement Agreement, the overall General Fund revenue forecast for FY 2017-18 is higher by \$30.3 million, or 0.3 percent. The forecast for FY 2018-19 is higher by \$131.9 million, or 1.1 percent. After modest increases of just 1.7 percent in FY 2015-16 and 3.1 percent in FY 2016-17, General Fund revenue is forecast to increase at a much stronger rate of 13.1 percent in FY 2017-18. Revenue growth will moderate to 4.1 percent in FY 2018-19.

Individual income taxes, corporate income taxes, and sales and use taxes are growing at a faster rate as the economy has rebounded following a period of slow growth and weak energy prices. Individual income tax revenue growth is also being bolstered by the delay of some investment income gains from 2016 to 2017, combined with a burgeoning stock market. Further, corporate income tax revenue, which has been declining since FY 2013-14, is expected to grow by more than 40 percent in FY 2017-18. The 2017 federal Tax Cuts and Jobs Act is also expected to increase State individual and corporate income tax revenue in coming years.

Strong economic conditions, federal tax law changes, and a one-time tobacco settlement payment are driving General Fund revenue growth of 13.1 percent in FY 2017-18. Revenue growth will moderate in FY 2018-19.

Figure 23 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.



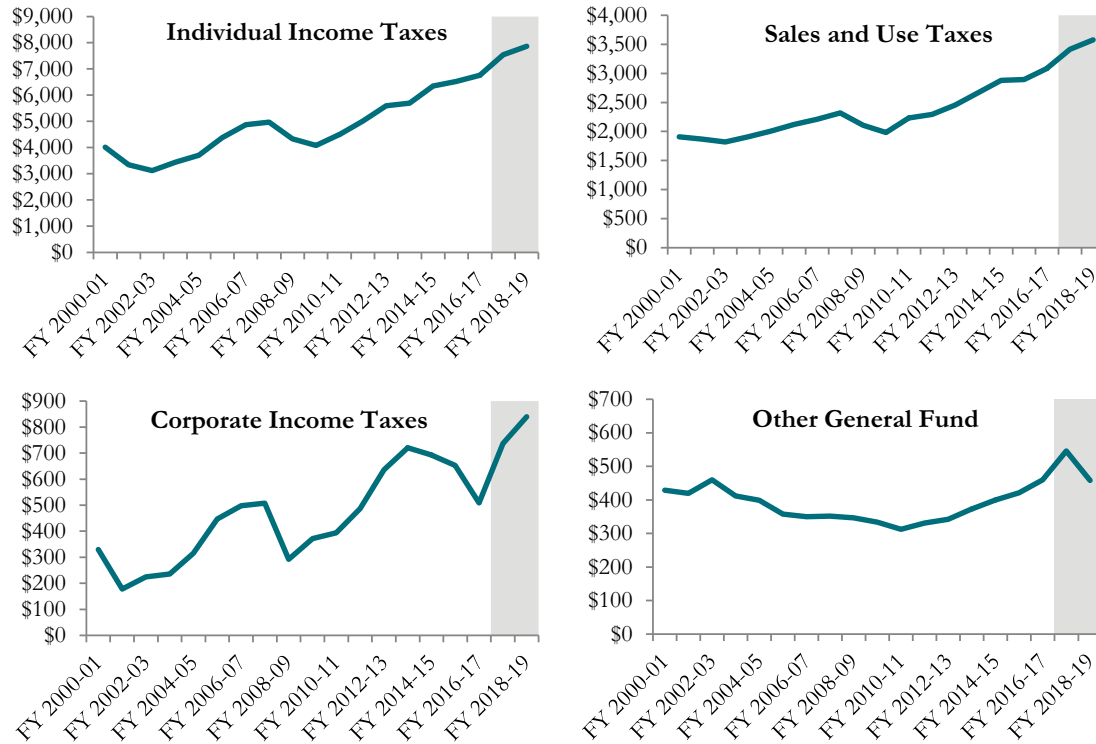
Source: Office of the State Controller and OSPB forecast



Discussion of Forecasts for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major revenue sources that together make up 95 percent of total General Fund revenue: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the other remaining General Fund sources — such as interest earnings, taxes paid by insurers on premiums, and excise taxes on tobacco products and liquor — is posting a large one-time increase in FY 2017-18 from the \$110.7 million settlement payment with tobacco companies but will then moderate over the forecast period. Figure 24 shows actual revenue collections as well as the forecast for General Fund revenue.

Figure 24. General Fund Revenue Sources, \$ in Millions



Source: Office of the State Controller and OSPB forecast
 Shaded areas represent forecast period

Individual income tax – Individual income tax collections grew 3.6 percent in FY 2016-17. Collections are forecast to increase at a more robust rate of 11.5 percent in FY 2017-18 and then moderate to 4.3 percent growth in FY 2018-19.

The strong growth in individual income tax collections in FY 2017-18 is due to a combination of factors. Wage withholdings have benefited from an increased demand for Colorado labor, which has led to accelerating employment growth and upward pressure on wages. In addition, revenue is expected to increase as the result of a delayed realization of 2016 capital gains as investors postponed asset sales in anticipation of federal tax changes. This forecast assumes that a significant portion of these deferred gains were realized in 2017, boosting individual income tax growth in FY 2017-18.



The other factors contributing to the strong individual income tax revenue increase in FY 2017-18 are solid growth in business and rental income, oil and gas royalties, and the stock market, driven by the expanding national and state economies. Individual income tax revenue is expected to grow at a more moderate pace in FY 2018-19 due to slower employment growth in a tight labor market and a moderation in capital gains income.

Strong economic growth and large anticipated gains in investment income are expected to accelerate individual income tax collections in FY 2017-18.

The FY 2017-18 forecast for individual income tax revenue was revised down slightly from the March forecast to better reflect year-to-date collections through May. FY 2018-19 and FY 2019-20 were revised upwards as a result of stronger wage withholdings and lower tax refunds than previously projected.

The enactment of the federal Tax Cuts and Jobs Act in December 2017 is expected to increase individual and corporate income tax revenue. This is the case because the legislation on balance increases federal taxable income, upon which Colorado taxable income is based. It is important to note that there is a higher-than-usual degree of uncertainty surrounding the current forecast of individual income tax collections. The effects of the federal Tax Cuts and Jobs Act on state individual income tax revenue may differ from our estimates due to possible delays in timing or potential taxpayer responses to the tax law changes that may be unforeseen at this time.

Corporate income tax – Corporate income tax collections are projected to increase 44.6 percent in FY 2017-18 after falling 21.9 percent in FY 2016-17. The forecasted growth in FY 2017-18 is the first increase in corporate income tax collections since FY 2013-14.

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 a primary determinant of corporate income tax collections.

Corporate profits weakened starting in 2015, leading to a decline in corporate income taxes. Weak global economic growth, strong appreciation in the U.S. dollar, and a decline in commodity prices served to reduce the profits of international corporations. While corporate profits began to grow again in the second half of 2016, corporate income tax revenue continued to decline as corporations deferred tax liabilities in anticipation of favorable federal tax law changes.

Corporate income tax revenue is expected to grow for the first time since FY 2013-14, increasing by 44.6 percent in FY 2017-18.

With the enactment of the Tax Cuts and Jobs Act in December 2017, state corporate income tax payments rebounded and are expected to continue to grow with higher corporate earnings and the ongoing economic expansion. Although renewed growth in corporate income tax collections is expected, future increases will be constrained by higher business costs, especially for employee compensation and borrowing, which will reduce profit margins and result in lower tax liabilities.

Sales and use tax – Sales tax revenue increased 6.5 percent in FY 2016-17 and is expected to increase an additional 9.8 percent in FY 2017-18 and 4.8 percent in FY 2018-19.

Colorado’s strong economic growth is providing consumers with more disposable income, and this, combined with more business spending, is causing sales tax revenue to grow at an increasing rate. Growth in auto sales, a



major source of sales tax revenue, has been slowing in recent months but sales remain at a high level. In addition, the composition of auto sales is shifting from cars towards higher-priced light trucks, SUVs, and minivans, which results in more sales tax revenue to the State.

A portion of the 9.8 percent projected increase in FY 2017-18 is due to the higher net tax rate on retail marijuana sales pursuant to SB 17-267. This legislation increased the special tax rate on retail sales from 10 percent to 15 percent while exempting retail marijuana from the state’s 2.9 percent sales tax, making the net tax rate increase 2.1 percentage points.

Increased consumer and business activity and the higher special sales tax rate on retail marijuana are driving sales tax revenue increases. Sales tax revenue is forecast to increase 9.8 percent in FY 2017-18.

The use tax is a companion to the sales tax and is paid by Colorado residents and businesses on purchases that did not include the 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 20.0 percent in FY 2017-18 and are projected to increase another 4.5 percent in FY 2018-19. Much of the increase in use tax collections is due to stronger economic growth and the rebound in the oil and gas industry. 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 begins in FY 2017-18 and is estimated to increase use tax collections by approximately \$3 million. The estimated short-term impact is lower than in previous forecasts as early compliance seems to be less than expected.

State Education Fund Revenue Forecast

Revenue to the State Education Fund will increase 13.4 percent and 5.2 percent in FY 2017-18 and FY 2018-19, respectively.

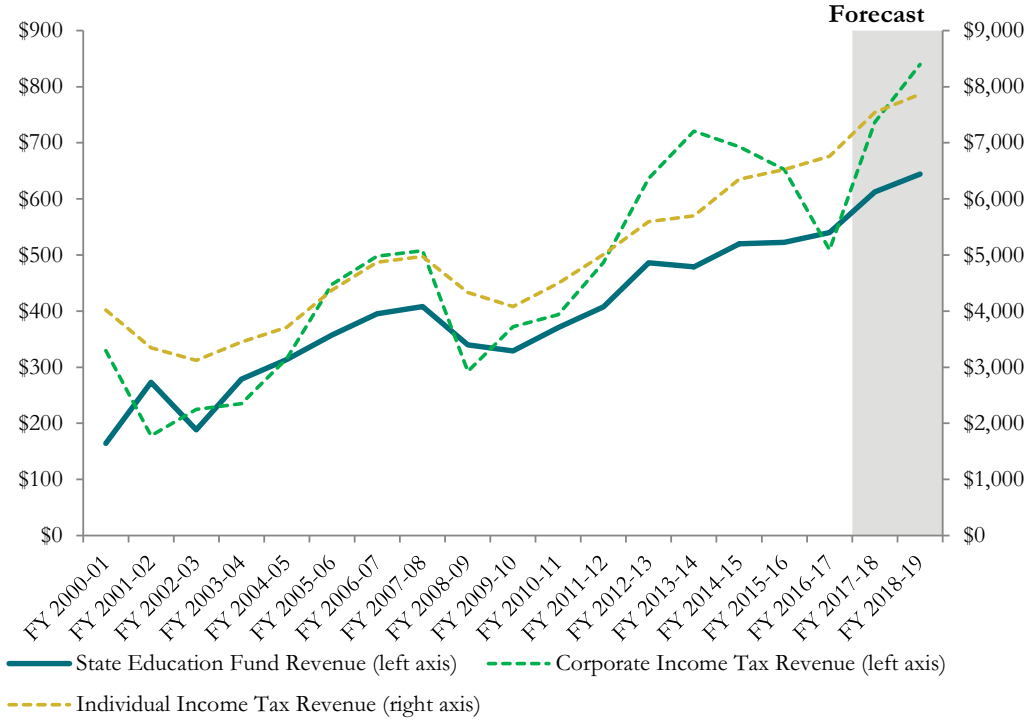
The Colorado Constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this revenue, policies enacted over the past several years have transferred other General Fund money to the State Education Fund.

Tax revenue to the State Education Fund will increase 13.4 percent and 5.2 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 to the robust gain in corporate income tax collections as well as higher individual income tax collections driven by the strong economy, labor conditions, and stock market, as discussed above. The revenue impact of federal tax changes as explained above is also contributing to the growth expected in FY 2017-18 and throughout the forecast period.



Figure 25. State Education Fund Revenue from One-Third of One Percent of Taxable Income, \$ in Millions



Source: Office of the State Controller and OSPB forecast

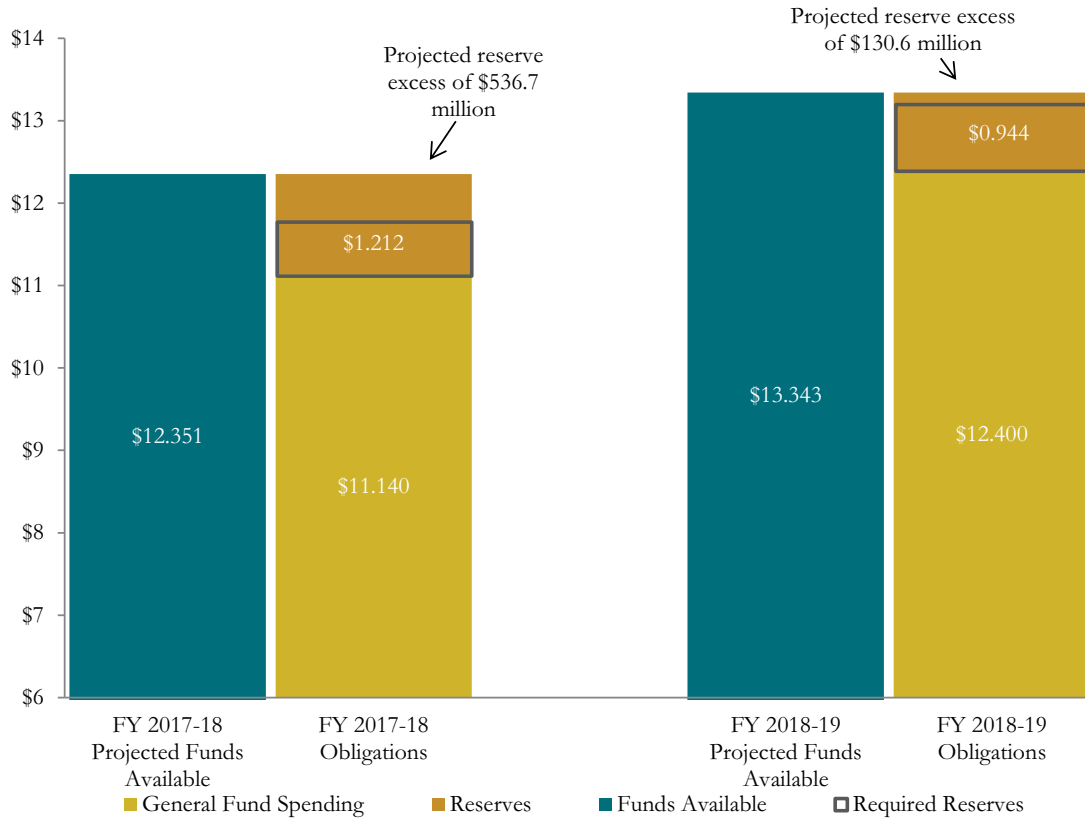


General Fund and State Education Fund Budget

General Fund – As discussed in the “General Fund and State Education Fund Revenue Forecast” section starting on page 30, the General Fund revenue forecast for FY 2017-18 is \$30.3 million, or 0.3 percent, higher than the March 2018 forecast. The forecast for FY 2018-19 is \$131.9 million higher, or 1.1 percent. The State’s General Fund reserve is projected to be \$536.7 million above the required statutory reserve amount of 6.5 percent of appropriations in FY 2017-18. SB 18-276 raised the reserve requirement to 7.25 percent of appropriations for FY 2018-19 and subsequent years. Under this forecast, the State’s General Fund reserve is projected to be \$130.6 million above the 7.25 percent required amount in FY 2018-19.

Figure 26 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2017-18 and FY 2018-19.

Figure 26. General Fund Available, Obligations, and Reserves, \$ in Billions

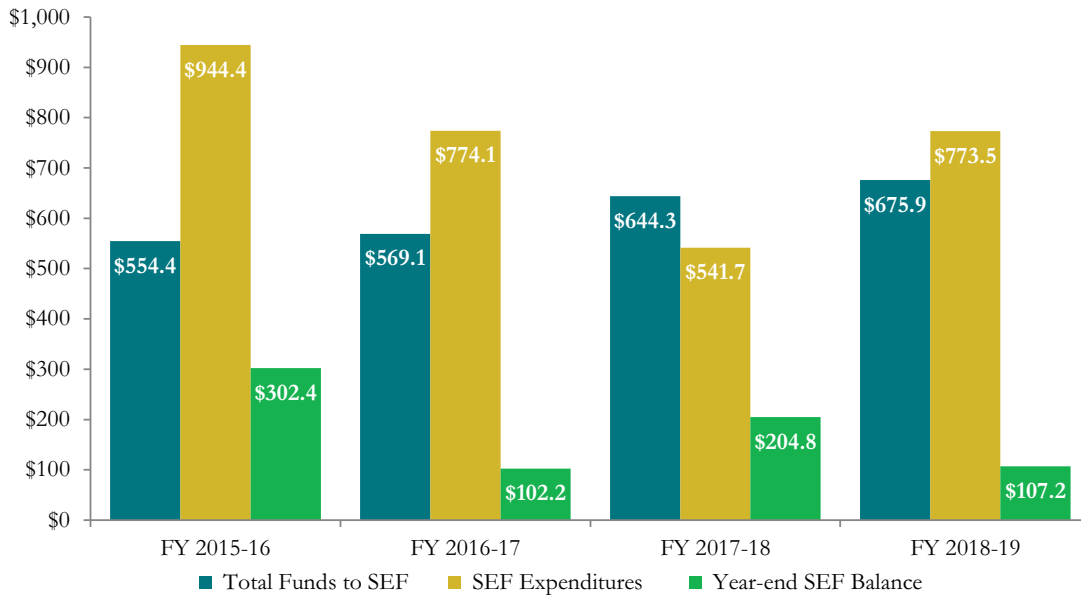


State Education Fund – The State Education Fund has been able to support a larger share of education funding in recent years than it has historically because it received large transfers of unspent General Fund revenue in the early years of the current economic expansion. However, these increased transfers to the State Education Fund were accompanied by increases in appropriations from the fund, resulting in a lower fund



balance. In FY 2017-18, the year-end fund balance is expected to increase from its FY 2016-17 level to approximately \$204.8 million. This increase is the result of a lower level of State Education Fund expenditures as well as greater General Fund and local property tax funding for preschool-12th grade education. However, the State Education Fund’s balance is projected to decrease to \$107.2 million in FY 2018-19 due to an increase in budgeted expenditures from the fund. Figure 27 summarizes total State Education Fund revenue available, total spending, and ending balance levels from FY 2015-16 through FY 2018-19.

Figure 27. State Education Fund Money, Spending, and Reserves, \$ in Millions



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 49. 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>.

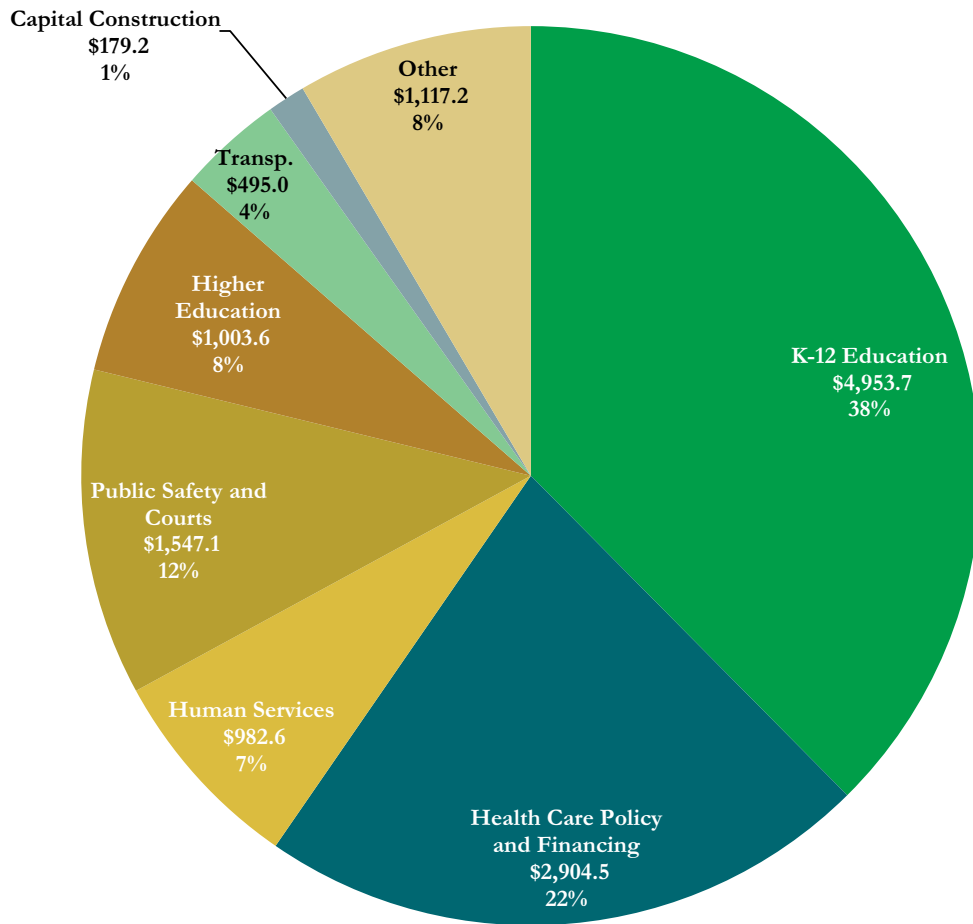
Spending by Major Department or Program Area

The General Fund provides funding for the State’s core programs and services, including 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 28, the major areas of the combined General Fund and State Education Fund FY 2018-19 budget are noted. Approximately 92 percent of General Fund and State Education Fund spending comprises the following areas: preschool-12th grade 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 28. FY 2018-19 General Fund and State Education Fund Budget Composition (\$ in Millions)



Major Budget Accomplishments

Notable items that relate to the budget from the 2018 legislative session include:

- Funding for primary and secondary education to grow with inflation and enrollment, plus a \$150.0 million reduction in the budget stabilization factor, and an additional \$30 million allocation to rural schools.
- \$108.7 million in increased funding out of the General Fund for higher education to support the State’s colleges and universities, limit tuition increases, enhance student supports, and offer additional financial aid.
- \$15.4 million total funds to increase salaries for direct care positions, including registered nurses, at the mental health institutes at Fort Logan and Pueblo. This initiative is intended to encourage staff retention, reduce mandatory overtime, and reduce patient-to-staff ratios.
- \$10.0 million General Fund and 12.9 full-time equivalent staff for a variety of initiatives to mitigate an increase in court-ordered competency services and reduce waitlists and wait times for individuals in jails awaiting competency evaluation or treatment.



- \$18.4 million total funds to Colorado counties for child welfare along with various reforms to the child welfare system.
- Changes to the funding formula and establishment of eligibility requirements for the Child Care Assistance Program plus \$13.8 million for county child care programs.
- \$4.0 million increase in appropriations to Area Agencies on Aging.
- \$495.0 million General Fund earmarked for critical infrastructure needs for Colorado’s transportation system in FY 2018-19 with an additional \$150.0 million earmarked in FY 2019-20.
- Reforms to policies related to the Public Employees Retirement Association to address the solvency of the pension fund.
- An increase in the General Fund reserve requirement to 7.25 percent of appropriations, up from 6.5 percent in FY 2017-18.

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 to 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.

Colorado’s economy is on solid footing with strong employment growth and expectations of an ongoing expansion. Although recession risk appears minimal, a large adverse shock could reduce business and household spending and investment, precipitating an economic downturn. A large enough downturn would cause a decline in General Fund revenue, while increasing the demand for state services.



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 that program's cash fund. OSPB's forecast of cash fund revenue subject to TABOR and the Referendum C cap is shown in Table 6 in the Appendix.

Cash fund revenue is projected to decrease by 16.5 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 \$78.8 million, or 3.6 percent, higher than projections in March, largely due to higher-than-expected revenue to severance tax cash funds and to the large group of cash funds referred to as "other miscellaneous cash funds." In addition to the change in the Hospital Provider Fee, cash fund revenue is also reduced by the exemption of retail marijuana sales from the 2.9 percent state sales tax pursuant to SB 17-267.

Transportation-related cash funds — Transportation-related cash fund revenue is forecast to grow 3.1 percent in FY 2017-18 and 2.7 percent in FY 2018-19. The forecast is 0.3 percent, or \$3.9 million, lower than the March forecast for FY 2017-18.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a number of smaller cash funds including emissions fees and professional licenses. 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 sources for the HUTF cash funds are motor fuel taxes and registration fees, but also include special transport permits and DUI fines.

State gasoline taxes, which have remained at 22 cents per gallon since their last increase in 1991, represent more than 75 percent of motor fuel tax revenue. Fuel tax revenue to the HUTF has averaged 2.0 percent growth per year during the current economic expansion. Growth is expected to continue at a modest rate, dampened by increasingly fuel-efficient vehicles consuming fewer gallons of gasoline, thus tempering fuel tax collections.

Vehicle registration revenue growth is driven by auto sales and in-migration to the state. Auto sales grew steadily from the end of the Great Recession in 2009 through 2017. As interest rates rise and the pent-up demand experienced since the Great Recession decreases, new auto sales are leveling off. Colorado vehicle sales are expected to remain slightly stronger than nationwide sales due to greater economic and population growth.

Increasing consumer preferences for heavier vehicles are expected to offset the effect of declining growth in new auto sales, resulting in modest growth in overall vehicle registration fees.

Registration fees are based largely on vehicle age and weight. Therefore, the continuing shift in consumer preference towards SUVs and light trucks partially offsets the weaker registration revenue stemming from low growth in new vehicle sales. As heavier vehicles are less fuel-efficient, this trend is also expected to contribute to increased revenue from vehicle fuel taxes.



Figure 29. Transportation Funds Forecast by Source, \$ in Millions

Transportation Funds Revenue	Actual 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	\$626.0	\$643.6	\$662.1	\$674.5
Change	2.7%	2.8%	2.9%	1.9%
Total Registrations	\$249.6	\$266.1	\$272.9	\$279.8
Change	2.9%	6.6%	2.6%	2.5%
Other HUTF Receipts	\$182.7	\$185.1	\$192.1	\$196.3
Change	2.7%	1.3%	3.8%	2.2%
Total HUTF	\$1,058.3	\$1,094.8	\$1,127.1	\$1,150.7
Change	2.7%	3.4%	3.0%	2.1%
State Highway Fund	\$38.4	\$44.8	\$46.2	\$47.4
Change	-26.4%	16.7%	3.1%	2.6%
Other Transportation Funds	\$118.8	\$119.1	\$119.0	\$120.5
Change	16.1%	0.3%	-0.1%	1.2%
Total Transportation Funds	\$1,221.3	\$1,258.7	\$1,292.3	\$1,318.5
Change	3.1%	3.1%	2.7%	2.0%

*Totals may not sum due to adjustments from recent policy changes that impact revenue.

Limited gaming revenue — Revenue from gaming will grow \$8.2 million, or 6.9 percent, reaching a total of \$127.4 million in FY 2017-18. It will reach \$131.7 million in FY 2018-19.

Of the \$127.4 million total expected limited gaming revenue in FY 2017-18, \$106.9 million will be subject to TABOR, as reflected in Figure 30. Of this amount, \$105.0 million is classified as “base limited gaming revenue” in accordance with Amendment 50. In FY 2018-19, \$110.1 million will be subject to TABOR, with \$108.2 million classified as “base limited gaming revenue”. Base limited gaming revenue is distributed by statutory formula to the State General Fund, the State Historical Society, cities and counties affected by gaming activity, and programs related to economic development.

Gaming revenue attributable to Amendment 50 is not subject to TABOR. This revenue is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions will total \$16.9 million in FY 2017-18 and \$18.0 million in FY 2018-19. Figure 30 shows the distribution of limited gaming revenue in further detail.



Figure 30. Distribution of Limited Gaming Revenues, \$ in Millions

Distribution of Limited Gaming Revenues	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
A. Total Limited Gaming Revenues	\$119.2	\$127.4	\$131.7	\$136.8
Annual Percent Change	0.9%	6.9%	3.4%	3.8%
B. Base Limited Gaming Revenues (max 3% growth)	\$102.0	\$105.0	\$108.2	\$111.4
Annual Percent Change	1.0%	3.0%	3.0%	3.0%
C. Gaming Revenue Subject to TABOR	\$103.7	\$106.9	\$110.1	\$113.5
Annual Percent Change	1.0%	3.1%	3.0%	3.0%
D. Total Amount to Base Revenue Recipients	\$90.7	\$95.2	\$98.4	\$102.0
Amount to State Historical Society	\$25.4	\$26.6	\$27.6	\$28.6
Amount to Counties	\$10.9	\$11.4	\$11.8	\$12.2
Amount to Cities	\$9.1	\$9.5	\$9.8	\$10.2
Amount to Distribute to Remaining Programs (State Share)	\$45.3	\$47.6	\$49.2	\$51.0
Amount to Local Government Impact Fund	\$5.0	\$5.2	\$5.4	\$5.6
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	\$18.7	\$20.3
E. Total Amount to Amendment 50 Revenue Recipients	\$13.4	\$16.9	\$18.0	\$19.5
Community Colleges, Mesa and Adams State (78%)	\$10.5	\$13.2	\$14.1	\$15.2
Counties (12%)	\$1.6	\$2.0	\$2.2	\$2.3
Cities (10%)	\$1.3	\$1.7	\$1.8	\$1.9

Hospital Provider Fee — Hospital Provider Fee revenue totaled \$654.4 million in FY 2016-17. 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 is exempt from TABOR as the program 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 collections are growing quickly in FY 2017-18. Severance tax revenue totaled \$19.5 million in FY 2016-17, after \$18.9 million in revenue was collected in FY 2015-16. These low collections were caused by several factors. The ad valorem tax credit for State severance taxes was a contributing factor, as were the persistently low oil and natural gas prices seen in FY 2015-16 and early FY 2016-17. Severance tax revenue has also been negatively impacted by an increase in amended returns filed in response to the 2016 Colorado Supreme Court ruling discussed below.

In FY 2017-18, collections are expected to reach \$108.7 million. The forecast reflects increased oil production and reduced ad valorem credits, but also anticipates ongoing claims for refunds from taxpayer amendments to prior year tax returns related to the Supreme Court ruling. Total severance tax revenue will increase to \$163.7 million in FY 2018-19 as the court ruling is expected to have a lessening impact on collections.

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 oil and gas extraction activities. In addition to lowering severance tax collections on an ongoing basis, this decision also increased the refund claims for prior tax years.



Federal Mineral Leasing revenue — FML revenue is expected to decrease slightly in FY 2017-18, declining 3.6 percent to \$87.7 million before growing 10.5 percent to \$97.0 million in FY 2018-19. The rebound in growth in the next fiscal year is a result of higher energy prices and the end of refunds of FML “bonus” payments to mineral extraction leaseholders on the Roan Plateau. 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 preschool-12th grade school finance.

FML royalties are derived from a percentage of the value of resources produced on leased federal lands. FML activity includes the 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 which are then shared with the state in which production occurs.

On March 13, 2018 the U.S. Department of the Interior announced that \$18.2 million of previously withheld FML revenue would be disbursed to the State. HB18-1249 changed the distribution of this disbursement. Instead of being deposited into the State’s Mineral Leasing Fund, the revenue was distributed to the affected counties – Garfield, Rio Blanco, Mesa, and Moffat.

Figure 31. Federal Mineral Leasing (FML) Payments, \$ in Millions

Fiscal Year	Bonus	Non-Bonus	Total FML	% Change
FY 2016-17	\$0.6	\$90.4	\$91.0	-2.0%
FY 2017-18	\$0.4	\$87.3	\$87.7	-3.6%
FY 2018-19	\$1.7	\$95.2	\$97.0	10.5%
FY 2019-20	\$1.8	\$100.1	\$101.9	5.1%

FY 2016-17 figures are actual collections, FY 2017-18 through FY 2019-20 are projections.

Figures do not include \$18.2 million of previously withheld revenue to be disbursed in accordance with HB18-1249.

Other cash funds — Cash fund revenue to the Department of Regulatory Agencies (DORA) will increase 5.6 percent to \$79.7 million in FY 2017-18 and another 3.6 percent to \$82.6 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 54.7 percent to \$16.0 million in FY 2017-18 and 21.8 percent to \$19.5 million in FY 2018-19. Each year, the Division of Workers’ Compensation performs a comprehensive review to determine the funding needed to operate its programs. Surcharges have increased in FY 2017-18, which is contributing to the projected increase in insurance-related revenue.

The “Other Miscellaneous Cash Funds” category in Table 6 includes revenue from over 300 cash funds which generally collect revenue from fines, fees, and interest earnings. Approximately 75 percent of the revenue comes from the largest 30 of these funds. Included among these are the Employment Support Fund, Medicaid Nursing Facility Cash Fund, and cash funds which collect marijuana industry-related revenue.

Revenue to miscellaneous cash funds is expected to total \$708.9 million in FY 2017-18, an increase of 9.7 percent. This FY 2017-18 projection is \$36.8 million greater than the March forecast. The June revision reflects stronger year-to-date revenue than was previously projected. In FY 2018-19, revenue to these funds is expected



to increase 5.4 percent to \$747.2 million. \$6.4 million of this increase is attributable to the effects of legislation passed during the 2018 legislative session.

Marijuana-related revenue— Figure 32 shows revenue from the special taxes on the legal marijuana industry authorized by Proposition AA in November 2013, along with revenue from the 2.9 percent sales tax collected on marijuana sales.

Figure 32. Tax Revenue from the Marijuana Industry, \$ in Millions

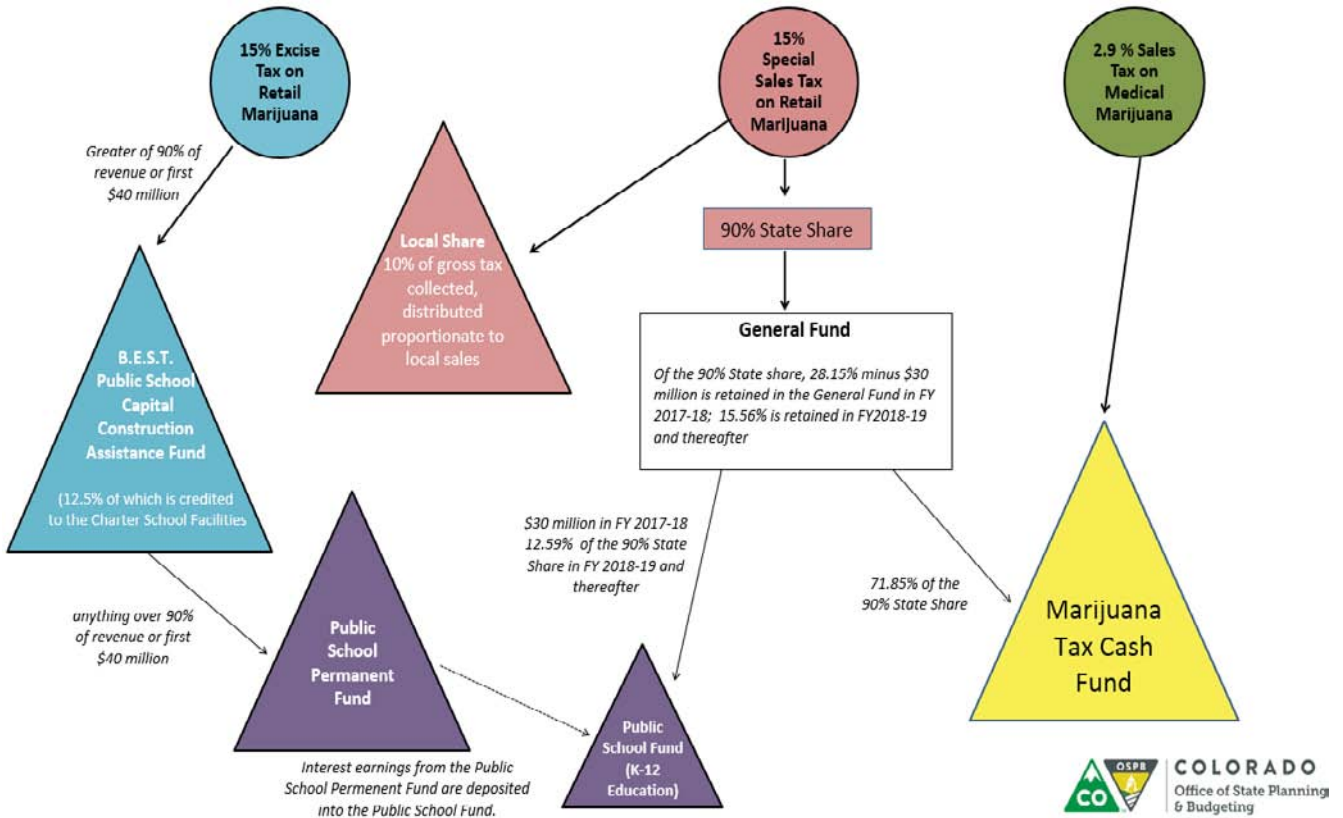
Tax Revenue from the Marijuana Industry	Actual FY 16-17	Forecast FY 17-18	Forecast FY 18-19	Forecast FY 19-20
Proposition AA Taxes				
Retail Marijuana 10%/15% Special Sales Tax	\$98.3	\$172.5	\$199.8	\$209.8
Retail Marijuana 15% Excise Tax	\$71.5	\$70.2	\$68.1	\$67.8
Total Proposition AA Taxes	\$169.9	\$242.7	\$267.9	\$277.6
2.9% Sales Tax (Subject to TABOR)				
Medical Marijuana 2.9% State Sales Tax	\$12.4	\$11.1	\$10.9	\$10.9
Retail Marijuana 2.9% State Sales Tax	\$28.1	\$4.9	\$1.5	\$1.5
Total 2.9% Sales Taxes	\$40.6	\$16.0	\$12.4	\$12.4
Total Marijuana Taxes	\$210.4	\$258.6	\$280.3	\$290.0

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 rate on retail marijuana from the previous 10 percent to 15 percent in FY 2017-18 and beyond. Note that the table above shows some revenue from the 2.9 percent state sales tax on retail marijuana even in FY 2017-18 and beyond. This is because marijuana paraphernalia and other non-marijuana items sold in marijuana shops were not exempted.

Revenue from the 2.9 percent sales tax on marijuana, as well as fees related to regulation of the marijuana industry, are 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.

Most of the revenue from the retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included as sales tax revenue in Table 3 in the Appendix — before being transferred to the Marijuana Tax Cash Fund and the Public School Fund. 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. Figure 33 shows the distribution of marijuana tax revenue.

Figure 33. Distribution of Tax Revenue from the Marijuana Industry Starting in FY 2018-19





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 certain 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 received 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 the sum of 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 – SB 17-267 included several provisions that affect the amount of TABOR revenue that the State can retain under the Referendum C cap. As mentioned above, SB 17-267 reduces the Referendum C cap by \$200 million in FY 2017-18. The cap will grow by the sum of inflation and population growth from this lower base going forward.

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. In addition, SB 17-267 exempted retail marijuana from the 2.9 percent state sales tax and extended and expanded the income tax credit for business personal property taxes paid. However, SB 17-267 also allows the distribution of 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.

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 are now the first refund mechanism triggered when a TABOR refund is required.

TABOR revenue will exceed the limit in fiscal year 2019-20 – TABOR revenue came in \$436.2 million below the cap in FY 2016-17 and is projected to be below the cap by \$63.1 million in FY 2017-18 and \$27.8 million in FY 2018-19. TABOR revenue is expected to exceed the cap by \$10.8 million in FY 2019-20.



TABOR revenue is expected to be below the Referendum C cap by \$63.1 million in FY 2017-18 and \$27.8 million in FY 2018-19, and above the cap by \$10.8 million in FY 2019-20.

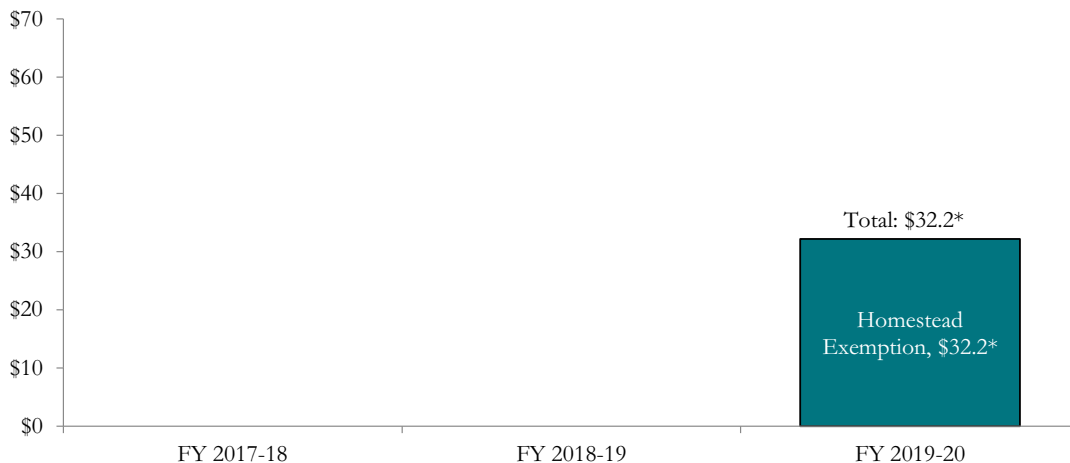
TABOR revenue last exceeded the Referendum C cap in FY 2014-15, by \$169.7 million. Of this amount, \$153.7 million was scheduled to be refunded to taxpayers via their 2015 tax returns, which includes \$3.6 million in outstanding refunds from prior years. The remaining \$19.6 million of the \$169.7 million in excess FY 2014-15 revenue resulted from the reclassification of

the revenue transferred from the Unclaimed Property Fund to the Adult Dental Fund as subject to TABOR. The legal analysis and audit review on the correct classification of this revenue occurred after refund amounts were established for state income tax forms. Such adjustments and audit findings have occurred in the past and the process requires the reclassified revenue to be refunded in the next year a refund is due, which, according to this forecast, is FY 2019-20, as discussed below.

In addition to this \$19.6 million adjustment, after the close of FY 2014-15, a net \$14.2 million in FY 2014-15 revenue previously treated as nonexempt was reclassified as exempt from TABOR. Most of this adjustment was due to revenue received by the Department of Public Safety. This change offsets a portion of the aforementioned \$19.6 million increase to refunds from the FY 2014-15 transfer to the Adult Dental Fund in the next year a refund is due.

Colorado law specifies three mechanisms by which revenue in excess of the cap needs to be refunded to taxpayers in future years: the senior homestead and disabled veterans property tax exemptions, a sales tax refund to all taxpayers (“six-tier sales tax refund”), and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 34 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

Figure 34. Distribution of TABOR Refunds, \$ in Millions*



* Amount above Referendum C cap plus adjustments from prior years. The FY 2019-20 projected refund obligation will be paid through FY 2020-21’s homestead exemption expenditures.

Under this forecast, TABOR refunds of \$32.2 million are projected for FY 2019-20, as shown in the table below and in line 11 in Table 7. This amount includes the projected \$10.8 million exceeding the Referendum C cap in FY 2019-20, plus a net \$21.3 million outstanding from the FY 2014-15 refund requirement due to those adjustments mentioned above. The \$21.3 million refunds outstanding also includes a remaining \$16.0



million in under-refunds from FY 2014-15 as the amount of refunds actually claimed by taxpayers on their 2015 tax returns was less than the amount due to taxpayers. Any TABOR refund amount that is not refunded to taxpayers is required to be refunded the next year a refund is due. The following table illustrates these adjustments.

Projected FY 2019-20 TABOR Refund with Adjustments	
Revenue Above the Referendum C Cap	\$10.8
Adjustments from Prior Fiscal Years	
<i>Reclassification of Transfer to Adult Dental Fund</i>	\$19.6
<i>Other Reclassifications</i>	-\$14.2
<i>Remaining Amount not Refunded from 2015 Tax Returns</i>	\$16.0
Total Adjustments	\$21.3
Total Refund	\$32.2

Revenue to be refunded in FY 2019-20 is not projected to be greater than the senior homestead and disabled veterans property tax exemption programs, and thus will not require a sales tax refund or temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. As required by statute, the refund of the FY 2019-20 excess revenue will occur through the senior homestead and disabled veterans property tax exemption expenditures in FY 2020-21.



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



Appendix – Reference Tables

**Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2012-2020**

Line No.		Actual						June 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
Income										
1	Personal Income (Billions) /A	\$234.0	\$246.6	\$267.2	\$282.7	\$288.1	\$303.7	\$319.8	\$336.4	\$353.2
2	Change	6.4%	5.4%	8.3%	5.8%	1.9%	5.4%	5.3%	5.2%	5.0%
3	Wage and Salary Income (Billions) /A	\$125.0	\$129.6	\$138.7	\$146.6	\$151.3	\$159.9	\$168.7	\$177.5	\$186.8
4	Change	5.4%	3.7%	7.0%	5.7%	3.2%	5.7%	5.5%	5.2%	5.2%
5	Per-Capita Income (\$/person) /A	\$45,120	\$46,869	\$50,021	\$51,956	\$52,097	\$54,156	\$56,248	\$58,388	\$60,494
6	Change	5.0%	3.9%	6.7%	3.9%	0.3%	4.0%	3.9%	3.8%	3.6%
Population & Employment										
7	Population (Thousands)	5,186.3	5,262.6	5,342.3	5,440.4	5,530.1	5,607.2	5,684.8	5,761.2	5,838.6
8	Change	1.4%	1.5%	1.5%	1.8%	1.6%	1.4%	1.4%	1.3%	1.3%
9	Net Migration (Thousands)	37.9	45.1	48.0	68.1	59.7	46.8	48.0	47.0	47.0
10	Unemployment Rate	7.9%	6.9%	5.0%	3.9%	3.3%	2.8%	3.0%	3.2%	3.3%
11	Total Nonagricultural Employment (Thousands)	2,312.2	2,381.1	2,464.2	2,541.7	2,602.4	2,658.6	2,719.7	2,774.1	2,824.1
12	Change	2.4%	3.0%	3.5%	3.1%	2.4%	2.2%	2.3%	2.0%	1.8%
Construction Variables										
13	Total Housing Permits Issued (Thousands)	23.3	27.5	28.7	31.9	39.0	41.9	50.3	51.3	53.3
14	Change	72.6%	18.1%	4.3%	11.1%	22.3%	7.5%	20.0%	2.1%	3.8%
15	Nonresidential Construction Value (Millions) /B	\$3,112.3	\$3,624.0	\$4,350.9	\$4,985.2	\$5,945.8	\$5,770.0	\$6,551.3	\$5,986.9	\$6,089.6
16	Change	-20.7%	16.4%	20.1%	14.6%	19.3%	-3.0%	13.5%	-8.6%	1.7%
Prices & Sales Variables										
17	Retail Trade (Billions) /C /D	\$80.2	\$84.1	\$90.5	\$95.0	\$99.1	\$103.9	\$108.6	\$113.5	\$118.4
18	Change	5.7%	4.8%	7.6%	4.9%	4.3%	4.8%	4.6%	4.5%	4.3%
19	Denver-Boulder-Greeley Consumer Price Index (1982-84=100) /E	224.6	230.8	237.2	240.0	246.6	255.0	262.6	270.0	277.3
20	Change	1.9%	2.8%	2.8%	1.2%	2.8%	3.4%	3.0%	2.8%	2.7%

/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. 2017 data represent OSPB estimates.

/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.

/D 2016 and 2017 data are not final and represent OSPB's estimates.

/E In 2018 the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

**Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2012 – 2020**

Line No.		Actual						June 2018 Forecast		
		2012	2013	2014	2015	2016	2017	2018	2019	2020
Inflation-Adjusted & Current Dollar Income Accounts										
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	\$15,354.6	\$15,612.2	\$16,013.3	\$16,471.5	\$16,716.2	\$17,096.2	\$17,574.9	\$17,996.7	\$18,374.6
2	Change	2.2%	1.7%	2.6%	2.9%	1.5%	2.3%	2.8%	2.4%	2.1%
3	Personal Income (Billions) /B	\$13,915.1	\$14,073.7	\$14,818.2	\$15,553.0	\$15,928.7	\$16,429.1	\$17,168.4	\$17,923.8	\$18,658.7
4	Change	5.0%	1.1%	5.3%	5.0%	2.4%	3.1%	4.5%	4.4%	4.1%
5	Per-Capita Income (\$/person)	\$44,317	\$44,504	\$46,507	\$48,446	\$49,253	\$50,439	\$52,339	\$54,280	\$56,155
6	Change	4.2%	0.4%	4.5%	4.2%	1.7%	2.4%	3.8%	3.7%	3.5%
7	Wage and Salary Income (Billions) /B	\$6,930	\$7,116.7	\$7,476.8	\$7,858.9	\$8,085.2	\$8,351.2	\$8,768.8	\$9,198.4	\$9,612.4
8	Change	4.5%	2.7%	5.1%	5.1%	2.9%	3.2%	5.0%	4.9%	4.5%
Population & Employment										
9	Population (Millions)	314.0	316.2	318.6	321.0	323.4	325.7	328.0	330.2	332.3
10	Change	0.7%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%
11	Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.8%	4.0%
12	Total Nonagricultural Employment (Millions)	134.2	136.4	139.0	141.8	144.4	146.6	148.7	150.5	151.8
13	Change	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.4%	1.2%	0.9%
Price Variables										
14	Consumer Price Index (1982-84=100)	229.6	233.0	236.7	237.0	240.0	245.1	251.5	257.0	262.7
15	Change	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.6%	2.2%	2.2%
16	Producer Price Index - All Commodities (1982=100)	202.2	203.4	205.3	190.4	185.4	193.5	201.0	205.9	208.3
17	Change	0.6%	0.6%	0.9%	-7.3%	-2.6%	4.4%	3.9%	2.4%	1.2%
Other Key Indicators										
18	Corporate Profits (Billions)	\$1,998.2	\$2,032.9	\$2,140.6	\$2,117.5	\$2,073.5	\$2,164.5	\$2,238.1	\$2,318.6	\$2,423.0
19	Change	10.0%	1.7%	5.3%	-1.1%	-0.4%	4.4%	3.4%	3.6%	4.5%
20	Housing Permits (Millions)	0.830	0.991	1.052	1.183	1.207	1.282	1.360	1.372	1.380
21	Change	32.9%	19.4%	6.2%	12.4%	2.0%	6.2%	6.1%	0.9%	0.6%
22	Retail Trade (Billions)	\$4,826.4	\$5,001.8	\$5,215.7	\$5,350.5	\$5,522.9	\$5,754.0	\$6,018.7	\$6,259.4	\$6,472.2
23	Change	5.0%	3.6%	4.3%	2.6%	3.2%	4.2%	4.6%	4.0%	3.4%

/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	Actual		June 2018 Estimate by Fiscal Year					
		FY 2016-17	% Chg	FY 2017-18	% Chg	FY 2018-19	% Chg	FY 2019-20	% Chg
Excise Taxes:									
1	Sales	\$2,826.1	6.5%	\$3,102.4	9.8%	\$3,251.2	4.8%	\$3,392.8	4.4%
2	Use	\$259.5	7.6%	\$311.5	20.0%	\$325.6	4.5%	\$339.9	4.4%
3	Cigarette	\$36.6	-1.7%	\$34.3	-6.3%	\$32.6	-5.0%	\$31.3	-3.9%
4	Tobacco Products	\$21.2	0.6%	\$21.9	3.3%	\$23.1	5.4%	\$24.1	4.4%
5	Liquor	\$45.0	3.3%	\$46.5	3.3%	\$47.4	1.9%	\$47.8	0.9%
6	Total Excise	\$3,188.4	6.4%	\$3,516.6	10.3%	\$3,679.8	4.6%	\$3,835.9	4.2%
Income Taxes:									
7	Net Individual Income	\$6,760.9	3.6%	\$7,541.3	11.5%	\$7,866.3	4.3%	\$8,280.4	5.3%
8	Net Corporate Income	\$509.3	-21.9%	\$736.5	44.6%	\$839.7	14.0%	\$936.6	11.5%
9	Total Income	\$7,270.2	1.3%	\$8,277.8	13.9%	\$8,705.9	5.2%	\$9,217.0	5.9%
10	<i>Less: State Education Fund Diversion</i>	<i>\$540.0</i>	<i>3.3%</i>	<i>\$612.6</i>	<i>13.4%</i>	<i>\$644.2</i>	<i>5.2%</i>	<i>\$680.9</i>	<i>5.7%</i>
11	Total Income to General Fund	\$6,730.2	1.1%	\$7,665.3	13.9%	\$8,061.7	5.2%	\$8,536.2	5.9%
Other Revenue:									
12	Insurance	\$290.5	3.6%	\$300.5	3.4%	\$313.6	4.4%	\$328.0	4.6%
13	Interest Income	\$14.7	18.6%	\$11.4	-22.6%	\$16.3	43.0%	\$17.2	5.2%
14	Pari-Mutuel	\$0.6	-6.6%	\$0.6	-2.8%	\$0.6	-2.0%	\$0.5	-2.0%
15	Court Receipts	\$4.1	17.5%	\$3.9	-4.3%	\$4.0	2.6%	\$4.1	2.5%
16	Other Income	\$47.3	109.7%	\$126.7	167.9%	\$20.6	-83.7%	\$21.6	4.7%
17	Total Other	\$357.2	11.8%	\$443.1	24.0%	\$355.1	-19.9%	\$371.4	4.6%
18	GROSS GENERAL FUND	\$10,275.8	3.1%	\$11,625.0	13.1%	\$12,096.6	4.1%	\$12,743.5	5.3%

Table 4. General Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Actual FY 2016-17	June 2018 Estimate by Fiscal Year		
			FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	Beginning Reserve	\$512.7	\$614.5	\$1,211.6	\$943.8
2	Gross General Fund Revenue	\$10,275.8	\$11,625.0	\$12,096.6	\$12,743.5
3	<i>Transfers to the General Fund</i>	\$44.8	\$111.7	\$35.2	\$36.8
4	TOTAL GENERAL FUND AVAILABLE	\$10,833.4	\$12,351.2	\$13,343.4	\$13,724.1
Expenditures					
5	Appropriation Subject to Limit	\$9,784.5	\$10,430.9	\$11,217.7	\$12,129.5
6	<i>Dollar Change (from prior year)</i>	\$448.9	\$646.4	\$786.8	\$911.8
7	<i>Percent Change (from prior year)</i>	4.8%	6.6%	7.5%	8.1%
8	Spending Outside Limit	\$640.1	\$708.7	\$1,181.8	\$736.5
9	<i>TABOR Refund under Art. X, Section 20, (7) (d)</i>	\$0.0	\$0.0	\$0.0	\$32.2
10	<i>Rebates and Expenditures</i>	\$285.0	\$278.7	\$292.6	\$310.9
11	<i>Transfers for Capital Construction</i>	\$84.5	\$112.1	\$179.2	\$60.0
12	<i>Transfers for Transportation</i>	\$79.0	\$79.0	\$495.0	\$150.0
13	<i>Transfers to State Education Fund under SB 13-234</i>	\$25.3	\$25.3	\$25.0	\$0.0
14	<i>Transfers to Other Funds</i>	\$164.8	\$213.5	\$190.0	\$183.4
15	<i>Other Expenditures Exempt from General Fund Appropriations Limit</i>	\$1.5	\$0.0	\$0.0	\$0.0
16	TOTAL GENERAL FUND OBLIGATIONS	\$10,424.6	\$11,139.6	\$12,399.5	\$12,866.0
17	<i>Percent Change (from prior year)</i>	1.9%	6.9%	11.3%	3.8%
18	Reversions and Accounting Adjustments	-\$205.7	\$0.0	\$0.0	-\$21.3
Reserves					
19	Year-End General Fund Balance	\$614.5	\$1,211.6	\$943.8	\$879.4
20	<i>Year-End General Fund as a % of Appropriations</i>	6.3%	11.7%	8.4%	7.25%
21	<i>General Fund Statutory Reserve</i>	\$584.3	\$674.9	\$813.3	\$879.4
22	<i>Above/Below Statutory Reserve</i>	\$30.2	\$536.7	\$130.6	\$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 35 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Actual FY 2016-17	June 2018 Estimate by Fiscal Year		
			FY 2017-18	FY 2018-19	FY 2019-20
Revenue					
1	Beginning Reserves	\$815.1	\$716.6	\$1,416.4	\$1,051.1
2	<i>State Education Fund</i>	\$302.4	\$102.2	\$204.8	\$107.2
3	<i>General Fund</i>	\$512.7	\$614.5	\$1,211.6	\$943.8
4	Gross State Education Fund Revenue	\$569.1	\$644.3	\$675.9	\$687.7
5	Gross General Fund Revenue /B	\$10,320.6	\$11,736.7	\$12,131.7	\$12,780.2
6	TOTAL FUNDS AVAILABLE FOR EXPENDITURE	\$11,704.8	\$13,097.6	\$14,224.1	\$14,519.0
Expenditures					
7	General Fund Expenditures /C	\$10,424.6	\$11,139.6	\$12,399.5	\$12,866.0
8	State Education Fund Expenditures	\$774.1	\$541.7	\$773.5	\$694.0
9	TOTAL OBLIGATIONS	\$11,198.7	\$11,681.3	\$13,173.0	\$13,560.0
10	<i>Percent Change (from prior year)</i>	0.2%	4.3%	12.8%	2.9%
11	<i>Reversions and Accounting Adjustments</i>	-\$210.6	\$0.0	\$0.0	-\$21.3
Reserves					
12	Year-End Balance	\$716.6	\$1,416.4	\$1,051.1	\$980.3
13	State Education Fund	\$102.2	\$204.8	\$107.2	\$100.9
14	General Fund	\$614.5	\$1,211.6	\$943.8	\$879.4
15	<i>General Fund Above/Below Statutory Reserve</i>	\$30.2	\$536.7	\$130.6	\$0.0

/A See the section discussing the General Fund and State Education Fund Budget starting on page 35 for information on the figures in this table.

/B This amount includes transfers to the General Fund shown in lines 3 and 4 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	Actual	June 2018 Estimate by Fiscal Year		
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Transportation-Related /A	\$1,221.3	\$1,258.7	\$1,292.3	\$1,318.5
Change	3.1%	3.1%	2.7%	2.0%
Limited Gaming Fund /B	\$103.7	\$106.9	\$110.1	\$113.5
Change	0.9%	3.1%	3.0%	3.0%
Capital Construction - Interest	\$4.7	\$5.2	\$6.1	\$5.6
Change	-10.5%	11.3%	17.4%	-8.2%
Regulatory Agencies	\$75.5	\$79.7	\$82.6	\$84.9
Change	9.8%	5.6%	3.6%	2.8%
Insurance-Related	\$10.3	\$16.0	\$19.5	\$19.5
Change	-9.6%	54.7%	21.8%	0.2%
Severance Tax /C	\$19.5	\$108.7	\$163.7	\$123.6
Change	3.0%	457.9%	50.6%	-24.5%
Hospital Provider Fees /D	\$654.4	N/A	N/A	N/A
Change	-18.6%	N/A	N/A	N/A
Other Miscellaneous Cash Funds	\$646.2	\$708.9	\$747.2	\$788.8
Change	-11.6%	9.7%	5.4%	5.6%
TOTAL CASH FUND REVENUE	\$2,735.6	\$2,284.1	\$2,421.5	\$2,454.4
Change	-6.5%	-16.5%	6.0%	1.4%

- /A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.
- /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 TABOR-exempt Healthcare Affordability and Sustainability Fee pursuant to SB 17-267.

**Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)**

Line No.		Actual FY 2016-17	June 2018 Estimate by Fiscal Year		
			FY 2017-18	FY 2018-19	FY 2019-20
TABOR Revenues:					
1	General Fund /A <i>Percent Change from Prior Year</i>	\$10,156.1 2.6%	\$11,341.9 11.7%	\$11,896.8 4.9%	\$12,533.7 5.4%
2	Cash Funds /A <i>Percent Change from Prior Year</i>	\$2,735.6 -6.5%	\$2,284.1 -16.5%	\$2,421.5 6.0%	\$2,454.4 1.4%
3	Total TABOR Revenues <i>Percent Change from Prior Year</i>	\$12,891.7 0.5%	\$13,625.9 5.7%	\$14,318.3 5.1%	\$14,988.1 4.7%
Revenue Limit Calculation:					
4	Previous calendar year population growth	1.9%	1.6%	1.4%	1.4%
5	Previous calendar year inflation	1.2%	2.8%	3.4%	3.0%
6	Allowable TABOR Growth Rate	3.1%	4.4%	4.8%	4.4%
7	TABOR Limit /B	\$10,761.7	\$11,209.9	\$11,748.0	\$12,264.9
8	General Fund Exempt Revenue Under Ref. C /C	\$2,130.0	\$2,416.0	\$2,570.3	\$2,712.4
9	Revenue Cap Under Ref. C /B, /D	\$13,327.8	\$13,689.0	\$14,346.1	\$14,977.3
10	<i>Amount Above/Below Cap</i>	-\$436.2	-\$63.1	-\$27.8	\$10.8
11	<i>Revenue to be Refunded including Adjustments from Prior Years /E</i>	\$0.0	\$0.0	\$0.0	\$32.2
12	TABOR Reserve Requirement	\$386.7	\$408.8	\$429.5	\$449.3

- /A Amounts differ from the General Fund and Cash Fund revenue 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 Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by \$200 million in FY 2017-18. The lower cap then grows by inflation and population growth in subsequent years.
- /E These adjustments are the result of: (a) changes that were made to State accounting records for years in which TABOR refunds occurred that resulted in changes in required refunds to taxpayers, and (b) the refund to taxpayers in previous years was different than the actual amount required. Such adjustments are held by the State until a future year in which a TABOR refund occurs when they adjust the total refund amount distributed to taxpayers.

**APPENDIX H
Leased Property**

2018A Leased Property

<u>Building</u>	<u>City</u>	<u>Fair Market Value²</u>
Colorado State Penitentiary	Canon City	\$141,100,725
Denver Regional Diagnostic Center Administration/Support Bldg A-F ³	Denver	\$54,548,180
Denver Regional Diagnostic Center Bldg G/H, Living Units 1/2, and Support ³	Denver	\$19,368,875
Denver Regional Diagnostic Center Bldg I: Recreation ³	Denver	\$3,355,530.00
Denver Regional Diagnostic Center Bldgs J/K, Living Units 3/4, and Support ³	Denver	\$19,302,817
Denver Women's Correctional Facility Close/Special Needs Housing ³	Denver	\$19,977,225
Denver Women's Correctional Facility Support ³	Denver	\$19,661,525
Denver Women's Correctional Facility Medium Housing Building #3 ³	Denver	\$13,552,650
Denver Women's Correctional Facility Visiting/Ad-Seg ³	Denver	\$13,469,602
Denver Women's Correctional Facility Central Plant/Maintenance ³	Denver	\$10,711,425
Division of Central Services-Pierce Street ⁴	Lakewood	\$16,774,125
Division of Central Services-State Office Building	Denver	\$26,752,500
Division of Central Services-Dale Tooley State Office - Public Safety ⁵	Lakewood	\$13,452,100
Division of Central Services-Resources Park West - Public Safety ⁵	Lakewood	\$11,012,600
Colorado State Patrol-Camp George West Training Facility ⁶	Golden	\$10,465,250
Fremont Correctional Facility Cellhouse 6	Canon City	\$11,700,703
Fremont Correctional Facility Cellhouse 7	Canon City	\$10,444,600
Fremont Correctional Facility Cellhouse 8	Canon City	\$8,859,550
Fremont Correctional Facility Kitchen/Medical/Laundry Building	Canon City	\$11,385,350
San Carlos Correctional Facility Bldg 6	Pueblo	\$22,225,825
TOTAL		\$458,121,157

¹ The 2018A Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

² As defined in the Glossary included in the form of 2018A Master Indenture attached as **Appendix B** hereto.

³ A Phase I Environmental Site Assessment dated August 7, 2018 prepared by CTL/Thompson (the "CTL/Thompson ESA") examined four environmental site assessments ("ESAs") that had been previously prepared in connection with this property in 1988, 1990, 1996 and 1998. The 1988 ESA reflected the presence of methane emissions, solid waste and polycyclic aromatic hydrocarbons associated with the former Denver City Dump on which the property is located. The 1990 ESA reflected installation of an underground storage tank on the property. The 1996 ESA reflected elevated levels of lead found in the soils associated with the former shooting range on which a portion of the property is located. The 1998 ESA reflected concentrations of total petroleum hydrocarbons in the soil and groundwater associated with the preconstruction of the Denver Women's Correctional Facility baseball field. A copy of the CTL/Thompson ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

⁴ A Phase I Environmental Site Assessment dated September 11, 2018 prepared by Ninyo & Moore (the "September 11 Ninyo & Moore ESA") for the State Treasury reflected the presence of four former underground storage tanks. Records reflect that three underground storage tanks were back-filled with concrete prior to 1998 and the remaining tank was removed with soil and water in 1995. A copy of the September 11 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

⁵ A Phase I ESA dated September 7, 2018 prepared by Ninyo & Moore (the "September 7 Ninyo & Moore ESA") for the State Treasury reflected that an underground storage tank was closed in January 1999 but a No Further Action Report has not been filed with respect to such tank. A copy of the September 7 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

⁶ A Phase I Environmental Site Assessment dated September 12, 2018 prepared by Ninyo & Moore (the "September 12 Ninyo & Moore ESA") for the State Treasury reflected that there were previously two 450-gallon storage tanks along the north side of the building. In 1993 stained soils were reported due to spillage but there's no record of any clean-up efforts. The ESA recommends shallow soil testing in this area. Additionally, a monitoring well was observed on the property but no information about the well was available; however its existence indicates some previous release into groundwater. The ESA recommends further investigation. A copy of the September 12 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at LoriAnn.Knutson@coag.gov or Xan.Serocki@coag.gov.

[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. The statistics have been obtained from the referenced sources and represent the most current information available as of June 2018 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 G** – “OSPB JUNE 2018 REVENUE FORECAST.”

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

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 G** – “OSPB JUNE 2018 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
2007	4.8	1.7%	301.2	1.0%
2008	4.9	1.7%	304.0	0.9%
2009	5.0	1.5%	306.7	0.9%
2010	5.1	1.5%	309.3	0.9%
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	314.0	0.8%
2013	5.3	1.5%	316.2	0.7%
2014	5.4	1.6%	318.6	0.8%
2015	5.4	1.8%	321.0	0.8%
2016	5.5	1.7%	323.4	0.7%
2017	5.6	1.7%	325.7	0.7%

Note: Figures for 2007 through 2016 are estimates. The U.S. 2017 count is an estimate, and the 2017 count for Colorado is a forecast.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

	Age Distribution, July 1			
	Colorado, 2017		United States, 2016	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.27	22.5%	73.64	22.8%
18 to 24	0.55	9.8%	30.84	9.5%
25 to 44	1.60	28.5%	85.15	26.4%
45 to 64	1.43	25.4%	84.25	26.1%
65+	0.78	13.8%	49.24	15.2%
Total	5.63	100.0%	323.13	100.0%
Median Age	37.2		37.9	

Note: Totals may not add due to rounding. The U.S. 2016 count is an estimate, and the Colorado 2017 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	\$45,120		\$41,119		\$44,283	
2013	\$46,869	3.9%	\$42,196	2.6%	\$44,489	0.5%
2014	\$50,021	6.7%	\$44,564	5.6%	\$46,486	4.5%
2015	\$51,956	3.9%	\$46,392	4.1%	\$48,429	4.2%
2016	\$52,097	0.3%	\$46,848	1.0%	\$49,204	1.6%
2017	\$53,504	2.7%	\$48,017	2.5%	\$50,392	2.4%

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)		Colorado Total Employment (thousands) ¹		Annual Average Unemployment Rate	
		% Change		% Change	Colorado	United States
2013	2,767.2		2,577.6		6.9%	7.4%
2014	2,799.5	1.2%	2,659.5	3.2%	5.0%	6.2%
2015	2,824.8	0.9%	2,715.1	2.1%	3.9%	5.3%
2016	2,893.3	2.4%	2,798.9	3.1%	3.3%	4.9%
2017	2,992.3	3.4%	2,907.5	3.9%	2.8%	4.4%
Year-to-date averages through March:						
2017	2,937.6		2,848.3		3.0%	4.9%
2018	3,045.1	3.7%	2,947.6	3.5%	3.2%	4.3%

1 Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Industry	Average Annual Number of Employees by Industry					Most Recent Quarter		
	2013	2014	2015	2016	2017	2017Q3	2017Q4	% Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	14,348	14,935	15,624	16,469	17,598	19,162	17,572	-8.3%
Mining	30,433	33,847	30,565	23,573	25,578	26,343	26,944	2.3%
Utilities	7,832	8,140	8,202	8,239	8,079	8,049	8,016	-0.4%
Construction	127,597	142,140	148,638	155,139	163,452	168,299	168,289	0.0%
Manufacturing	132,691	136,216	140,831	142,381	144,064	144,980	144,637	-0.2%
Wholesale Trade	96,636	99,825	103,253	104,882	106,726	107,358	107,720	0.3%
Retail Trade	249,235	254,942	263,104	269,032	270,783	271,337	277,278	2.2%
Transportation and Warehousing	62,398	65,180	67,287	68,327	72,554	71,646	76,376	6.6%
Information	69,817	70,001	70,599	71,730	71,643	71,405	72,568	1.6%
Finance and Insurance	103,136	103,623	106,344	108,970	111,293	111,370	111,961	0.5%
Real Estate and Rental and Leasing	42,849	44,497	46,944	48,707	50,566	51,154	51,518	0.7%
Professional and Technical Services	188,984	196,684	204,586	210,093	215,783	216,314	219,747	1.6%
Management of Companies and Enterprises	34,591	35,406	36,488	36,833	39,018	39,247	39,255	0.0%
Administrative and Waste Services	148,745	154,121	157,385	158,535	158,041	163,652	159,320	-2.6%
Educational Services	31,997	32,965	33,847	34,992	35,375	34,710	35,952	3.6%
Health Care and Social Assistance	250,654	261,428	275,183	287,168	291,299	289,716	296,398	2.3%
Arts, Entertainment, and Recreation	47,166	48,978	50,707	52,625	55,407	57,068	52,882	-7.3%
Accommodation and Food Services	242,100	251,052	261,704	270,673	277,613	286,320	276,537	-3.4%
Other Services	69,554	72,443	75,157	78,231	82,201	85,244	80,641	-5.4%
Unclassified	1,388	2,783	1,478	759	180	259	203	-21.6%
Government	383,637	388,566	396,853	405,690	412,002	406,866	416,398	2.3%
Total*	2,335,786	2,417,769	2,494,777	2,553,045	2,609,255	2,630,501	2,640,213	0.4%

* Industry employment levels may not add to total due to rounding.

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2018. 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 Employees¹
Wal-Mart	General Merchandise	27,600
The Kroger Co. (King Soopers/City Market)	Supermarkets	21,600
UCHealth	Healthcare, Research	21,400
Centura Health	Healthcare	15,700
HealthONE Corporation	Healthcare	12,000
Lockheed Martin Corporation	Aerospace & Defense Related Systems	9,000
Comcast	Telecommunications	8,800
SCL Health System	Healthcare	8,700
CenturyLink	Telecommunications	8,300
Home Depot	Building Materials Retailer	8,000
Kaiser Permanente	Health Maintenance Organization	7,100
Children's Hospital Colorado	Healthcare	6,800
Target Corporation	General Merchandise	6,600
Vail Resorts	Leisure & Hospitality	6,400
Safeway Inc.	Supermarkets	6,200
United Airlines	Airline	6,100
Wells Fargo	Banking/Financial Services	6,000
United Parcel Service	Delivery Services	5,400
Amazon ²	Warehousing & Distribution Services	5,300
Banner Health	Healthcare	5,000
JBS Swift & Company	Beef Processing/Corporate Office	4,600
FedEx Corp.	Transportation, E-commerce	4,300
Charles Schwab	Financial Services	4,200
Oracle	Software & Network Computer Systems	4,200
University of Denver	Private University	4,100
DISH Network	Satellite TV & Equipment	4,100
Walgreen Company	General Merchandise	4,100

¹ Includes both full- and part-time employees.

² Includes Amazon Robotics and Fulfillment Center planned opening in Thornton in August 2018 with 1,500 employees.

Source: Compiled by Development Research Partners from various sources, May 2018.

[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 2018.

Estimated Largest Public Sector Employers in Colorado	
Employer	Estimated Employees¹
State of Colorado	52,500
Federal Government (except USPS)	43,600
University of Colorado System	22,100
Denver Public Schools	14,000
City & County of Denver	13,800
Jefferson County Public Schools	11,400
U.S. Postal Service	9,900
Douglas County School District RE-1	8,400
Cherry Creek School District No 5	8,000
Colorado State University	7,500
Denver Health	7,000
Aurora Public Schools	6,000
Adams 12 Five Star Schools	4,700
Boulder Valley School District RE-2	4,300
Poudre School District R-1	4,100
St. Vrain Valley School District RE-1J	3,900
Colorado Springs School District 11	3,900
City of Aurora	3,500
Academy Schools District No 20	3,500
Jefferson County	3,300
Regional Transportation District (RTD)	2,900
Mesa County Valley School District 51	2,900
El Paso County	2,700
Greeley 6 School District	2,600
Arapahoe County	2,500

¹ Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2018.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Sales and Use Tax Net Collections						
Fiscal Years 2013 to 2017						
	Sales Tax		Consumer Use Tax		Retailer Use Tax	
	Amount (thousands)	% Change	Amount (thousands)	% Change	Amount (thousands)	% Change
2013	\$2,187,244		\$110,166		\$119,321	
2014	\$2,371,992	8.4%	\$116,268	5.5%	\$125,209	4.9%
2015	\$2,561,913	8.0%	\$123,175	5.9%	\$132,685	6.0%
2016	\$2,596,355	1.3%	\$111,227	-9.7%	\$132,591	-0.1%
2017	\$2,719,778	4.8%	\$109,037	-2.0%	\$149,567	12.8%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the State for the most recent five years and year-to-date available. Retail sales data is only available through February 2016 as the Colorado Department of Revenue is currently experiencing a system problem that prevents the Retail Sales Reports from being produced. The Department is working to resolve the issue as soon as possible.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

Industry	2011		2012		2013		2014		2015		Year-to-date totals through February		
	2011	% Change	2012	% Change	2013	% Change	2014	% Change	2015	% Change	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/Warehouse	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/Remediation	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.

National Parks Visits ¹		Colorado Tourism Statistics						Skier Visits ³		
		Conventions		Conventions ²		Spending				
		Number	%	Number	%	Amount	%			
(millions)	Change	Number	Change	(thousands)	Change	(millions)	Change	(millions)	Change	
2013	5.39			84		265.7		\$529.3		11.45
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%
2017	7.61	2.0%	84	27.3%	235.6	-2.9%	\$518.6	-4.6%	13.12	-2.0%

1 Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

2 Includes only those conventions 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
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%
2017	24,338	344	415	15,576	40,673	4.4%
Year-to-date totals through April:						
2017	7,462	112	66	5,641	13,281	
2018	10,011	52	131	6,330	16,524	
% change	34.2%	-53.6%	98.5%	12.2%	24.4%	

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 Filings¹	% Change	Foreclosure Sales at Auction	% Change
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%
2017	6,680	-12.9%	2,100	-32.9%

¹ Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

Source: Colorado Division of Housing.

[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, 2017 (the "PERA 2017 CAFR"). The PERA 2017 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 "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements" at the beginning of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2017 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 2017 CAFR.

The information in the State's Fiscal Year 2016-17 CAFR regarding PERA is derived from the PERA Comprehensive Annual Financial Report for the Plan Year ended December 31, 2016, while the information in this Official Statement regarding PERA is derived from the PERA 2017 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 (the "PERA 2014 CAFR"), 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 are paid from the State Division Trust Fund. State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "State Division DC Plan") which is also administered by PERA. However, the majority of State employees participate in the State Division Plan. The State has no obligation to make contributions or fund benefits in Divisions other than the State Division and Judicial Division of PERA. See Notes 1 and 8 to the financial statements in the PERA 2017 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 and Notes 6, 7 and 8 to the financial statements in the State's Fiscal Year 2016-17 CAFR 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 (800) 759-7372 or by visiting <http://www.copera.org>. *The reference to PERA’s website is included herein for informational purposes only, and information available on such website or in PERA’s financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.*

Basic Provisions of the State Division Plan

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee’s original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 6, 7 and 8 to the financial statements in the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement, the PERA 2017 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 2017 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 as reflected 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 liability¹, or “UAAL.” Net pension liability is to be measured as the total pension liability² of the plan less the amount of the plan’s fiduciary net position³.

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan’s net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

Actuarial Valuations

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present 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

¹ 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.

² Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

³ Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan’s reporting period.

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, 2017, 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 2017 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2017 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 currently 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 6 and the Required Supplementary Information to the State's Fiscal Year 2016-17 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 10.15% 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 currently is 20.15% of employee wages. However, SB 18-200 makes further changes to employer and employee contributions as discussed in “Funding Status of the State Division Plan” hereafter in this section. See also Note 6 to the State’s Fiscal Year 2016-17 CAFR appended to this Official Statement and Note 4 to the financial statements in the PERA 2017 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.

SB 18-200 provides for automatic adjustments to employee and employer contribution rates within certain statutory parameters so as to stay within the legislation’s 30-year funding goal. Previously, such adjustments required action by the General Assembly. See “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 funds and State cash funds and is typically paid from the same funding source as the employee’s salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations” in the body of this Official Statement.

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 contribution¹, or “ARC,” as a funding benchmark by 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

¹ 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 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.

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 2017 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 2008-2017 (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, 2016, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2017: (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 a closed, layered 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 inflation) 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 2017 CAFR.

Table 1
Employer Contributions
State Division
(Dollar Amounts in Thousands)

<u>Calendar Year</u>	<u>ADC Rate</u> ¹	<u>Covered Employee Payroll</u>	<u>Annual Increase Reserve Contribution</u> ²	<u>ADC Contribution</u> ³	<u>Contributions in Relation to the ADC</u>	<u>Annual Contribution Deficiency</u>	<u>Actual Contribution as a Percentage of Covered Employee Payroll</u>
2017	22.71%	\$2,774,207	\$14,355	\$644,377	\$563,977	\$ 80,400	20.33%
2016	22.31	2,710,651	12,838	617,584	521,804	95,780	19.25
2015	22.35	2,641,867	11,400	601,857	484,005	117,852	18.32
2014	20.45	2,564,670	9,984	534,459	444,372	90,087	17.33
2013	20.01	2,474,965	--	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	--	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	--	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	--	452,821	282,640	170,181	11.82
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

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 2017 CAFR.

³ The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2017 CAFR

The Management's Discussion and Analysis in the PERA 2017 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 7.25% 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%, and that using such funding policy and the 2017 actuarial funding valuation based on an assumed 7.25% investment rate of return and discount rate, the 2019 ADC for the State Division Fund needed to meet the layered, 30-year closed amortization period will be 23.28%.

For historical information regarding employer contributions based on the ARC, see Note 6 to the State's Fiscal Year 2016-17 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 and SB 18-200, all in an effort to improve the funding status of the State Division Plan. In addition, investment returns on Plan assets have recently 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 8.50% to 8.00% in 2009, from 8.00% to 7.50% at the end of 2013 and from 7.50% to 7.25% as of December 31, 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. Notwithstanding these changes, the PERA reported that at December 31, 2016, the State Division Plan had a UAAL of approximately \$11,644 billion and a funded ratio (*i.e.*, the actuarial value of Plan assets divided by the AAL) of only 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation.

In order to address the funding status of PERA's defined benefit plans, including the State Division Plan, during the 2018 legislative session the General Assembly enacted, and on June 4, 2018, the Governor signed, SB 18-200, which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100% funded ratio for each of such plans, within the next 30 years. Among other things, SB 18-200 phases-in a 2% increase in contribution rates for most employees, suspends the cost of living adjustment for retirees through 2019, changes the definition of salary and highest average salary, reduces maximum annual cost of living adjustments, adjusts employee and employer contribution rates, funds unfunded PERA liability from political subdivisions terminating its affiliation with PERA and provides for a direct annual allocation of \$225 million (actual dollars) from the State's General Fund to PERA beginning with the State's Fiscal Year 2018-19. SB 18-200 also includes a provision that automatically adjusts employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly. For further information regarding SB 18-200, see the PERA 2017 CAFR.

The PERA 2017 CAFR reports that, taking into account changes made by SB 18-200, at December 31, 2017, the actuarial value of assets of the State Division Plan was approximately \$14.256 billion and the AAL of the Plan was approximately \$24.782 billion, resulting in a UAAL of approximately \$10.526 billion and a funded ratio of 57.5%. This UAAL would amortize over a 33-year period.¹

The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. 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, and taking into account the changes made by SB 18-200, the PERA 2017 CAFR reports that at December 31, 2017, the UAAL of the Plan was approximately \$9.677 billion and the funded ratio was 61.0%.

For further information, see Management's Discussion and Analysis in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement, as well as Management's Discussion and Analysis, Notes 10 and 12 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2017 CAFR.

Table 2 below sets forth for each of the years 2008-2017 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, 2016, and accepted actuarial procedures were applied to roll forward the total pension liability to December 31, 2017. 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) payroll increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (iv) the

¹ This amortization period is based on the actuarial valuation for funding purposes as of December 31, 2017, and exceeds the SB 18-200 goal of funding 100% of the AAL of the State Division Plan within 30 years because it does not include the full effect of changes to the State Division Plan implemented by the General Assembly in 2006 and 2010 or the full effect of changes to the State Division Plan required by SB 18 200, which are designed to lower the normal cost over time as new members are added to the Plan, allow a greater proportion of the State's contribution to the Plan to be used to amortize the unfunded liability and increase future contributions to the Plan in order to accelerate the amortization of the UAAL. On a projected basis, the amortization period for the State Division Plan is 27 years. For further information, see the PERA 2017 CAFR.

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 2017 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 Assets¹	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2017	\$14,256,410	\$24,782,085	\$10,525,675	57.5%	\$2,774,207	379.4%
2016	14,026,332	25,669,916	11,643,584	54.6	2,710,651	429.5
2015	13,882,820	24,085,671	10,202,851	57.6	2,641,867	386.2
2014	13,523,488	23,408,321	9,884,833	57.8	2,564,670	385.4
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
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

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 2017 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 Assets¹	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2017	\$15,105,378	\$24,782,085	\$ 9,676,707	61.0%	\$2,774,207	348.8%
2016	13,538,772	25,669,916	12,131,144	52.7	2,710,651	447.5
2015	13,391,398	24,085,671	10,694,273	55.6	2,641,867	404.8
2014	13,956,630	23,408,321	9,451,691	59.6	2,564,670	368.5
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	359.9
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	353.3
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
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

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 2017 CAFR.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2008 through 2017

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, 2017, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2017 CAFR. The following table sets forth for each of the years 2008-2017 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
ADDITIONS										
Employer contributions	\$ 563,977	\$ 521,804	\$ 484,005	\$ 444,372	\$ 401,658	\$ 335,073	\$ 283,222	\$ 287,624	\$ 297,240	\$ 270,353
Member contributions	228,978	223,005	217,980	211,610	202,799	227,058	258,678	223,240	194,168	191,481
Purchased service	27,442	24,528	26,946	22,446	22,241	16,358	11,277	12,496	8,830	13,315
Net investment income (loss)	2,391,683	947,981	210,337	780,762	1,931,658	1,511,244	232,669	1,553,142	1,742,571	(3,745,843)
Other	15,860	8,708	5,023	3,289	4,869	150	331	1	3	7
Total additions	3,227,940	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)
DEDUCTIONS										
Benefit payments	1,554,290	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
Refunds	58,696	60,137	63,567	61,152	68,735	69,221	70,090	68,844	58,416	56,716
Disability insurance premiums	2,035	2,106	2,088	2,309	2,229	1,570	1,685	1,661	2,004	1,794
Administrative expenses	11,745	11,271	10,779	10,067	9,780	8,568	8,685	8,942	8,729	8,639
Other	3,652	3,040	3,406	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613
Total deductions	1,630,418	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
Change in fiduciary net position	1,597,522	165,644	(53,411)	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)
Fiduciary net position held at beginning 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
Fiduciary net position held at end of year	\$15,223,702	\$13,626,180	\$13,460,536	\$14,013,947	\$13,980,460	\$12,797,352	\$12,022,661	\$12,487,105	\$11,611,758	\$10,508,301

Source: PERA 2017 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 2013-2017 (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 2017 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014-2017 (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 Division¹
(Dollar Amounts in Thousands)

	For the Year Ended December 31				
	<u>2017²</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability ³	\$35,241,684	\$31,994,311	\$23,991,569	\$23,420,461	\$22,888,431
Plan fiduciary net position	<u>15,223,702</u>	<u>13,626,180</u>	<u>13,460,536</u>	<u>14,013,947</u>	<u>13,980,460</u>
Net pension liability	<u>\$20,017,982⁴</u>	<u>\$18,368,131</u>	<u>\$10,531,033</u>	<u>\$ 9,406,514</u>	<u>\$ 8,907,971</u>
Net pension liability as a percentage of total pension liability	43.20%	42.59%	56.11%	59.84%	61.08%
Covered employee payroll	\$ 2,774,207	\$ 2,710,651	\$ 2,641,867	\$ 2,564,670	\$ 2,474,965
Net pension liability as a percentage of covered employee payroll	721.57%	677.63%	398.62%	366.77%	359.92%

¹ Information for years prior to 2013 is not available.

² Government accounting standards require that pension liabilities for financial reporting purposes be measured using the plan provisions in effect at the pension plan's year-end. Therefore, unlike the tables in "Funding Status of the State Division Plan" above, the changes made by SB 18-200 are not reflected in this table.

³ The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2016, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2017. 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.

⁴ The pro forma estimated net pension liability of the State Division as of December 31, 2017, using plan provisions required by SB 18-200 was \$9,492,389 utilizing a discount rate of 7.25%.

Source: PERA 2017 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 2017 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 and GASB 75

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented beginning with the State's Fiscal Year 2014-15 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 had a UAAL of approximately \$9.714 billion as of December 31, 2013, \$9.884 billion as of December 31, 2014, \$10.203 billion as of December 31, 2015, \$11.644 billion as of December 31, 2016, and \$10.526 billion as of December 31, 2017.

The State reported a liability in the State's Fiscal Year 2016-17 CAFR of approximately \$17.779 billion at June 30, 2017, for its proportionate share of the net pension liability, consisting of approximately \$17.540 billion for the State Division and approximately \$0.239 billion for the Judicial Division, compared to a reported liability in the State's Fiscal Year 2015-16 CAFR of approximately \$10.252 billion at June 30, 2016, for its proportionate share of the net pension liability, consisting of approximately \$10.079 billion for the State Division and approximately \$0.173 billion for the Judicial Division. The amounts presented for each Division were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 6 to the State's Fiscal Year 2016-17 CAFR 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 be found in Note 1 to the State's Fiscal Year 2016-17 CAFR appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 6 to the State's Fiscal Year 2016-17 CAFR.

The State's proportionate share of the net pension liability at the end of calendar years 2014 through 2017 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 Liability¹
(Amounts in Thousands)

	Calendar Year 2017		Calendar Year 2016		Calendar Year 2015		Calendar Year 2014	
	State <u>Division</u>	Judicial <u>Division</u>	State <u>Division</u>	Judicial <u>Division</u>	State <u>Division</u>	Judicial <u>Division</u>	State <u>Division</u>	Judicial <u>Division</u>
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-employee payroll	\$ 2,751,094	\$ 46,320	\$ 2,687,152	\$ 44,159	\$2,586,800	\$ 40,114	\$2,570,286	\$ 37,203
State's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	637.55%	516.89%	375.09%	391.38%	348.53%	322.83%	332.23%	276.20%
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 6 to the Financial Statements and Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement.

Source: State Fiscal Year 2016-17 CAFR

A 10 year history of the State's contribution to PERA for the State and Judicial Divisions is also included in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2016-17 CAFR appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis, the introduction to Notes 1, 6, 7 and 8 to the Financial Statements in the State's Fiscal Year 2016-17 CAFR.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB 75"), is effective for fiscal years beginning after June 15, 2017, and accordingly will be first implemented in the State's Comprehensive Annual Financial Report for Fiscal Year 2017-18. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits (OPEB) liability (of all employers for benefits provided through the OPEB plan), *i.e.*, the collective net OPEB liability. The State will also be required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. In addition, GASB 75 will require additional footnote disclosures about the pension trust fund in the financial statements.

Effect of Pension Liability on the Series 2018A 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 2016-17 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 in this Appendix. The General Assembly and Governor are ultimately responsible for passing any legislation which would make material changes to PERA retirement plans. No assurance can be given that any

legislative changes aimed at decreasing the State's pension liability will be enacted. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay its obligations, including the Series 2018A Certificates.

* * *

APPENDIX K

DTC Book-Entry System

The information in this Appendix concerning DTC and DTC's book entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the State takes no responsibility for the accuracy or completeness of such statements. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the Trustee, the State or the Underwriters has any responsibility or obligation to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the registered owners of the Series 2018A Certificates under the Indenture, (iii) the payment by DTC or any DTC Participant of any amounts received under the Indenture with respect to the Series 2018A Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2018A Certificates or (v) any other related matter.

DTC will act as securities depository for the Series 2018A Certificates. The Series 2018A Certificates will be in the form of fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018A Certificate for each maturity of the respective Series of Certificates, in the aggregate principal amount of such maturity, will be executed and delivered and deposited with DTC.

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

Purchases of Series 2018A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Certificates on DTC's records. The ownership interest of each Beneficial Owner is in turn recorded on the records of Direct and Indirect

Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018A Certificates except in the event that use of the book-entry system for the Series 2018A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2018A 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 2018A 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 2018A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2018A Certificates may wish to ascertain that the nominee holding the Series 2018A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2018A Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the State Treasurer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the paying agent or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Series 2018A Certificates to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the State or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2018A Certificates at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2018A Certificate certificates are required to be printed and delivered to the appropriate registered owners of the Series 2018A Certificates.

The State may at any time decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2018A Certificates. In that event, Series 2018A Certificate certificates will be printed and delivered to DTC.

[THIS PAGE INTENTIONALLY LEFT BLANK]

