

*In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain representations and certifications and continuing compliance with certain covenants, under existing statutes, regulations, rulings, and court decisions, the portion of Base Rent designated and paid by the State as interest on the Series 2022 Certificates (referred to herein as "interest") is excludable from gross income for federal income tax purposes, and, further, that interest on the Series 2022 Certificates is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, under existing State of Colorado statutes, regulations, rulings and court decisions, such interest is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax. No opinion is expressed with respect to the federal income tax or Colorado income tax consequences of any payments received with respect to the Series 2022 Certificates following the termination of the Series 2022 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 2022**

**Dated:** Date of Delivery

**Due:** December 15, as shown on the inside cover

The Series 2022 Certificates are being executed and delivered as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Series 2022 Certificates bear interest at the rates set forth herein, payable on December 15, 2022, 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 2022 Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2022 Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Series 2022 Certificates.

**Maturity, principal amount, interest rate, and price information for the Series 2022 Certificates is located on the inside cover page of this Official Statement.**

The Series 2022 Certificates will be executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as trustee (the "Trustee") pursuant to and secured by a Master Trust Indenture (the "Master Indenture") dated as of September 1, 2018 as supplemented and amended from time to time (the "Indenture"). **The Series 2022 Certificates are the fourth and final series of certificates authorized under current State law to be executed and delivered pursuant to the Indenture.** The Series 2022 Certificates and additional series of certificates that have been executed and delivered pursuant to the Indenture (collectively, the "Certificates") will be paid and secured on a parity basis and will evidence undivided interests in the right to certain payments by the State under annually renewable lease-purchase agreements that have been or may be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee. (The lease purchase agreement entered into in connection with the Series 2022 Certificates (the "2022 Lease") and such other annually renewable lease-purchase agreements that have been or may be entered into pursuant to the Indenture, collectively, are referred to as the "Leases"). Pursuant to applicable statutes, the State will pay Rent under the 2022 Lease, subject to the terms of the 2022 Lease, from money in both the State of Colorado Highway Fund (the "State Highway Fund") and the State's General Fund (the "General Fund").

The net proceeds of the Series 2022 Certificates will be used to pay the costs of certain State projects as further described herein and to pay the costs of issuance of the Series 2022 Certificates.

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

*The Series 2022 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 2022 Lease constitute currently appropriated expenditures of the State of Colorado General Assembly (the "General Assembly") or currently allocated expenditures of the State of Colorado Transportation Commission (the "Transportation Commission") on behalf of the Colorado Department of Transportation ("CDOT") and may be paid solely from legally available money in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2022 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 2022 Certificates are offered when, as and if delivered, subject to the approving opinion of Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Kline Alvarado Veio P.C., Denver, Colorado, has acted as counsel to the Underwriters. Hilltop Securities Inc., Denver, Colorado, has acted as municipal advisor to the State and Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, has acted as municipal advisor to CDOT in connection with the offering, execution and delivery of the Series 2022 Certificates. It is expected that the Series 2022 Certificates will be executed and available for delivery through the facilities of DTC, on or about June 15, 2022.

**UBS**

**Morgan Stanley**

**RBC Capital Markets**

**Estrada Hinojosa**

**Piper Sandler & Co.**

**Mischler Financial Group, Inc.**

**American Veterans Group, PBC**

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

**\$500,000,000**  
**STATE OF COLORADO**  
**RURAL COLORADO**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2022**

<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>
2022	\$5,650,000	6.000%	1.380%	UE3
2023	6,005,000	6.000	1.710	UF0
2024	6,375,000	6.000	1.920	UG8
2025	6,765,000	6.000	2.020	UH6
2026	7,185,000	6.000	2.110	UJ2
2027	7,625,000	6.000	2.240	UK9
2028	8,100,000	6.000	2.390	UL7
2029	8,605,000	6.000	2.530	UM5
2030	9,135,000	6.000	2.600	UN3
2031	9,700,000	6.000	2.690	UP8
2032	10,300,000	6.000	2.740	UQ6
2033	10,940,000	6.000	2.800 <sup>1</sup>	UR4
2034	11,605,000	6.000	2.840 <sup>1</sup>	US2
2035	12,325,000	6.000	2.910 <sup>1</sup>	UT0
2036	13,095,000	6.000	2.940 <sup>1</sup>	UU7
2037	13,900,000	6.000	2.990 <sup>1</sup>	UV5
2038	53,415,000	6.000	3.010 <sup>1</sup>	UW3
2039	56,725,000	6.000	3.030 <sup>1</sup>	UX1
2040	98,890,000	6.000	3.050 <sup>1</sup>	UY9
2041	143,660,000	6.000	3.060 <sup>1</sup>	UZ6

## 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 2022 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 2022 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 2022 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 2022 Certificates. The Trustee does not have and does not assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents, except the information concerning and obtained from the Trustee for inclusion herein.

This Official Statement has been prepared only in connection with the original offering of the Series 2022 Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2022 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 2022 Certificates and the terms of the offering, including the merits and risks involved. The Series 2022 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 2022 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

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

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

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**OFFICIAL STATEMENT**  
**\$500,000,000**  
**STATE OF COLORADO**  
**RURAL COLORADO**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2022**

**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 2022 (the “**Series 2022 Certificates**”).

The Series 2022 Certificates will be executed and delivered by Zions Bancorporation, National Association, Denver, Colorado, as trustee (the “**Trustee**”) pursuant to and secured by a Master Trust Indenture, dated as of September 1, 2018 (the “**Master Indenture**”) as supplemented and amended by a Series 2018A Supplemental Indenture, dated as of September 1, 2018 (the “**2018A Supplemental Indenture**”), a Series 2020A Supplemental Indenture, dated as of December 9, 2020 (the “**2020A Supplemental Indenture**”), a Series 2021A Supplemental Indenture, dated as of June 1, 2021 (the “**2021A Supplemental Indenture**”) and a Series 2022 Supplemental Indenture, dated as of June 15, 2022 (the “**2022 Supplemental Indenture**”) (The Master Indenture, as supplemented and amended by the 2018A Supplemental Indenture, the 2020A Supplemental Indenture, the Supplemental 2021A Supplemental Indenture and the Supplemental 2022 Indenture, and as further supplemented and amended from time-to-time, is referred to as the “**Indenture**”).

**The Series 2022 Certificates are the fourth and final series of Certificates (as defined below) authorized under current State law to be executed and delivered pursuant to the Indenture. Upon execution and delivery of the Series 2022 Certificates, the State of Colorado, Rural Colorado Certificates of Participation, Series 2018A, the State of Colorado, Rural Colorado Certificates of Participation, Series 2020A and the State of Colorado, Rural Colorado Certificates of Participation, Series 2021A (collectively, the “Prior Certificates”) will also be outstanding in the aggregate principal amounts of \$428,755,000, \$469,680,000 and \$485,630,000, respectively. The Series 2022 Certificates and any additional series of Certificates that have been executed and delivered 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 2022 Lease Purchase Agreement dated as of the date of delivery of the Series 2022 Certificates (the “2022 Lease”) and other annually renewable lease-purchase agreements that have been entered into 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 2022 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 2022 Certificates to potential investors is made only by means of the entire Official Statement.

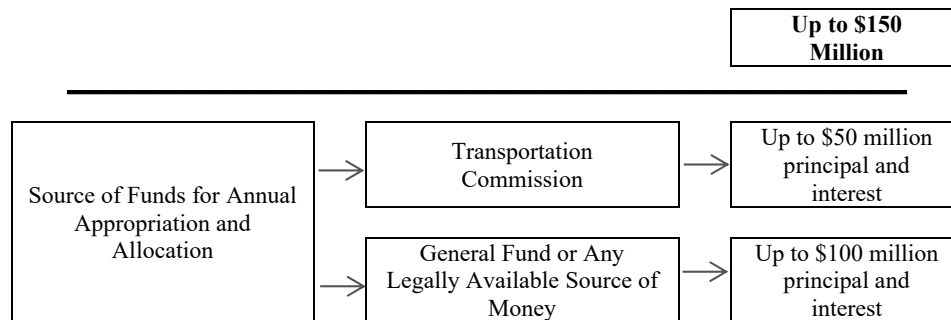
## Authority for Delivery

The Series 2022 Certificates are being executed and delivered under authority granted by the Colorado constitution and laws of the State, and particularly Senate Bill 17-267 (“**SB 17-267**”), Senate Bill 18-001 (“**SB 18-001**”) and Senate Bill 19-263 (“**SB 19-263**”) codified in part by Colorado Revised Statutes (“**C.R.S.**”) Section 24-82-1301, *et seq.*, as amended (the “**Act**”), and the Supplemental Public Securities Act (Title 11, Article 57, Part 2, Colorado Revised Statutes).

### **SB 17-267**

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

The State is authorized under SB 17-267 to execute lease-purchase agreements for State Highway and Transit Projects in the aggregate principal amount of \$2.0 billion. Upon execution and delivery of the 2022 Certificates in the amount of \$500 million, the State will have no further authorization to execute additional lease-purchase agreements for State Highway and Transit Projects pursuant to SB17-267. The aggregate annual limit of lease payments by the State for principal and interest components of Rent under the Leases is \$150 million and the source of funds available for annual allocation by the State of Colorado Transportation Commission (the “**Transportation Commission**”) to pay Rent under the 2022 Lease each year from legally available money in the State of Colorado Highway Fund (the “**State Highway Fund**”) is limited to \$50 million. The source of funds available for annual appropriation or allocation, as applicable, from the General Fund or any legally available source of money by the State of Colorado General Assembly (the “**General Assembly**”) or other entity to pay Rent under the Leases each year is limited to \$100 million. The sources of funds available for annual allocation and appropriation to pay Rent under the Leases are reflected in the diagram on the following page:



In order to address stresses on the General Fund caused by the COVID-19 pandemic, HB 20-1376 further modified the sources of funds reflected in the diagram above by decreasing the appropriation from the General Fund or any other legally available source of money in the two Fiscal Years ending June 30, 2021 and June 30, 2022 by \$12 million in each of such fiscal years and increasing the Transportation Commission’s allocation by a corresponding \$12 million in each of such fiscal years. However, Senate

Bill 21-265 transferred \$124.0 million from the General Fund to the State Highway Fund to backfill debt service assistance that was previously repealed in House Bill 20-1376 in response to COVID-19.

The 2022 Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2022 CERTIFICATES ARE OUTSTANDING.**

### **The General Fund and State Highway Fund**

The Series 2022 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 2022 Certificates” under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from any money that the Colorado General Assembly transfers from the State General Fund and any other legally available sources and any money that the Transportation Commission allocates from the State Highway Fund and any other legally available sources.

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

### **Purposes of the Series 2022 Certificates**

Proceeds from the sale of the Series 2022 Certificates will be used to finance the costs of the Series 2022 Projects, as more fully described under this caption and “PLAN OF FINANCING – The Series 2022 Projects.” Proceeds of the Series 2022 Certificates will also be used to pay the costs of issuance associated with the Series 2022 Certificates. See “PLAN OF FINANCING – Sources and Uses of Funds” for a description of the estimated uses of proceeds of the Series 2022 Certificates.

### **The Series 2022 Projects**

The Series 2022 Projects involve various capital projects described herein under “PLAN OF FINANCING – The Series 2022 Projects.”

### **The Leased Property**

The State is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2022 Certificates (the “**2022 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 “**2022 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 2022 Leased Property and any property leased pursuant to the Leases or amendments to the 2022 Lease

are referred to herein as the “**Leased Property.**” The 2022 Leased Property is being leased back by the Trustee to the State, pursuant to the 2022 Lease. Any additional Leased Property which the State may choose in the future to lease under the additional Leases or amendments to the 2022 Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2022 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 2022 Leased Property) or any portion thereof through the term of the respective Site Leases. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property” and “BASE RENT AND SERIES 2022 CERTIFICATES PAYMENT SCHEDULE.”

## **Terms of the Series 2022 Certificates**

### ***Payments***

Principal of and premium, if any, on the Series 2022 Certificates is payable when due upon surrender of the Series 2022 Certificates at the office of the Trustee. Interest on each Series 2022 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 2022 Certificates are deliverable in the authorized denomination of \$5,000 and integral multiples thereof.

### ***Redemption***

The Series 2022 Certificates are subject to optional, mandatory and extraordinary redemption prior to their stated maturity date under certain circumstances described herein under “THE SERIES 2022 CERTIFICATES – Redemption.”

For a more complete description of the Series 2022 Certificates, the Indenture pursuant to which such Series 2022 Certificates are being executed and delivered, see “Forms of Master Indenture, 2022 Supplemental Indenture, 2022 Lease and 2022 Site Lease” attached hereto in **Appendix B**.

## **Sources of Payment for the Series 2022 Certificates**

The Series 2022 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 2022 Lease and other money in the Trust Estate in accordance with the terms of the Indenture. See “SECURITY AND SOURCES OF PAYMENT.” The 2022 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 2022 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 2022 Lease and future Leases, if any, 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 2022 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 2022 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 2022 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 2022 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 2022 Lease shall constitute currently appropriated expenditures of the General Assembly or currently allocated expenditures of the Transportation Commission and may be paid solely from legally available money in the State Highway Fund or the General Fund. The obligations to pay Rent and all other obligations under the 2022 Lease are subject to both appropriation by the General Assembly in its sole discretion and annual allocation by the Transportation Commission in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State or CDOT within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State or CDOT within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

The 2022 Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE**

**TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2022 CERTIFICATES ARE OUTSTANDING.**

### **Certain Risks to Owners of the Series 2022 Certificates**

Certain factors described in this Official Statement could affect the payment of Base Rent under the 2022 Lease, the value of the Leased Property and the market price of the Series 2022 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 2022 Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2022 Certificates, to file such ongoing information regarding the State as described in “CONTINUING DISCLOSURE” herein. A form of the Continuing Disclosure Undertaking is attached hereto as **Appendix C**.

### **State Economic and Demographic Information**

This Official Statement contains economic and demographic information about the State prepared and compiled by Development Research Partners for use by the State. See **Appendix I** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION.” Development Research Partners, Inc. has consented to the inclusion of such information in this Official Statement. The State does not assume responsibility for the accuracy, completeness or fairness of such information. The information in such Appendix has been included in the Official Statement in reliance upon the authority of Development Research Partners, Inc. as experts in the preparation of economic and demographic analyses. Potential investors should read such Appendix in its entirety for information with respect to the economic and demographic status of the State.

### **Other Information**

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

The quotations from, and summaries and explanations of, the 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 UBS Financial Services Inc., Representative of the Underwriters, 555 California Street, Suite 4650, San Francisco, California 94104, Attention: Public Finance, telephone number: (415) 955-9834.

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 2022 Certificates.

## PLAN OF FINANCING

### The Program

The Series 2022 Certificates are being delivered pursuant to the Indenture and under authority granted by the Act (the “**Program**”). The Act authorizes the State Treasurer to enter into Leases for Projects approved by the State, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under all Leases is less than the maximum amount allowed by the Act. See “INTRODUCTION – Authority for Delivery” and “BASE RENT” herein.

Each Series of Certificates evidence undivided interests in the right to receive certain payments by the State under the Leases. The following table sets forth the aggregate principal amount of Certificates to be outstanding after the execution and delivery of the Series 2022 Certificates.

### Certificates to be Outstanding upon the Execution and Delivery of the Series 2022 Certificates

<u>Series</u>	<u>Principal Amount Outstanding</u>
Series 2018A Certificates	\$428,755,000
Series 2020A Certificates	469,680,000
Series 2021A Certificates	485,630,000
Series 2022 Certificates	<u>500,000,000</u>
<b>Total Certificates</b>	<b>\$1,884,065,000</b>

The State could choose to fund future projects under the Program through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Certificates.

### Sources and Uses of Funds

The sources and uses of funds relating to the Series 2022 Certificates are set forth in the following table.

	Series 2022 Certificates
<b>SOURCES OF FUNDS:</b>	
Par amount.....	\$500,000,000
Premium.....	<u>126,882,896</u>
<b>TOTAL SOURCES OF FUNDS .....</b>	<b>\$626,882,896</b>
<b>USES OF FUNDS</b>	
Deposit to Series 2022 Project Account .....	\$624,425,703
For costs of issuance, including Underwriters’ discount <sup>1</sup> .....	<u>2,457,193</u>
<b>TOTAL USES OF FUNDS.....</b>	<b>\$626,882,896</b>

<sup>1</sup> 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 2022 Projects**

The Act was designed to fund necessary high-priority State Highway and Transit Projects and State Capital Construction Projects throughout Colorado. The State and CDOT have inventoried and prioritized State Capital Construction Projects and State Highway and Transit Projects in order to determine which projects will be funded with the proceeds of the Series 2022 Certificates.

### **THE SERIES 2022 CERTIFICATES**

#### **Generally**

General information describing the Series 2022 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 2022 Supplemental Indenture, the 2022 Lease and the 2022 Site Lease all as attached hereto in **Appendix B** hereto.

The Series 2022 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, 2022, and semi-annually thereafter on June 15 and December 15 of each year and as further described on the inside cover page of this Official Statement. Principal and premium, if any, is payable when due upon surrender of the Series 2022 Certificates at the office of the Trustee. The Series 2022 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 2022 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 2022 Certificates. Beneficial Ownership Interests in the Series 2022 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 2022 Certificates will be payable by the Trustee, as paying agent for the Series 2022 Certificates, to Cede & Co., as the Owner of the Series 2022 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 2022 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 2022 Certificates, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2022 Certificates or (5) any other related matter.*



## **Redemption**

### ***Optional Redemption***

The Series 2022 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, 2032, at a redemption price equal to the principal amount of the Series 2022 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 2022 Certificates and all other outstanding Certificates shall be redeemed in whole, on such date(s) as the Trustee may determine to be in the best interest of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the 2022 Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2022 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 2022 Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under the 2022 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 2022 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 2022 Lease, which amounts shall be allocated among the Series 2022 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 2022 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 2022 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 2022 Lease in connection with such Event of Nonappropriation or Event of Default and (c) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

### ***Notice of Redemption***

Notice of the call for any redemption, identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first-class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration

books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee money sufficient to redeem all the Certificates called for redemption, which money are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption money with the Trustee not later than the redemption date, and such notice shall be of no effect unless such money are so deposited.

### ***Redemption Payments***

On or prior to the date fixed for redemption, the Trustee is required to apply funds to the payment of the Series 2022 Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2022 Certificates so redeemed, the amounts due on the Series 2022 Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2022 Certificates.

## BASE RENT AND SERIES 2022 CERTIFICATES PAYMENT SCHEDULE

The following table sets forth the State's Base Rent obligations in connection with the 2022 Lease (which also constitutes the payment schedule for the Series 2022 Certificates), as well as the State's aggregate Base Rent obligations in connection with the Prior Certificates to be outstanding following the execution and delivery of the Series 2022 Certificates, assuming that all Leases are renewed by the State for the full Lease Term and that there is no prior redemption or defeasance of Certificates other than mandatory sinking fund redemptions.

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

Fiscal Year (June 30)	Base Rent Series 2022 Certificates		Prior Certificates	Total Net
	Principal Component <sup>1</sup>	Interest Component <sup>1</sup>	Total Base Rent	Base Rent for All Certificates
2022	--	--	\$112,487,140	\$112,487,140
2023	\$5,650,000	\$29,830,500	112,488,713	147,969,213
2024	6,005,000	29,480,850	112,486,588	147,972,438
2025	6,375,000	29,109,450	112,485,838	147,970,288
2026	6,765,000	28,715,250	112,489,463	147,969,713
2027	7,185,000	28,296,750	112,490,213	147,971,963
2028	7,625,000	27,852,450	112,490,588	147,968,038
2029	8,100,000	27,380,700	112,487,713	147,968,413
2030	8,605,000	26,879,550	112,488,213	147,972,763
2031	9,135,000	26,347,350	112,490,213	147,972,563
2032	9,700,000	25,782,300	112,487,588	147,969,888
2033	10,300,000	25,182,300	112,486,556	147,968,856
2034	10,940,000	24,545,100	112,486,250	147,971,350
2035	11,605,000	23,868,750	112,493,875	147,967,625
2036	12,325,000	23,150,850	112,491,800	147,967,650
2037	13,095,000	22,388,250	112,488,600	147,971,850
2038	13,900,000	21,578,400	112,493,275	147,971,675
2039	53,415,000	19,558,950	74,993,700	147,967,650
2040	56,725,000	16,254,750	74,992,000	147,971,750
2041	98,890,000	11,586,300	37,495,200	147,971,500
2042	143,660,000	4,309,800	--	147,969,800
	\$500,000,000	\$472,098,600	\$2,099,793,521	\$3,071,892,121

<sup>1</sup> 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 2022 Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the 2022 Lease, including: (i) the Base Rent; (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iii) earnings on money on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (iv) any other money to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the 2022 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 2022 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 2022 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 2022 Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2022 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 2022 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 2022 LEASE CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE OR CURRENTLY ALLOCATED EXPENDITURES OF THE TRANSPORTATION COMMISSION AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEY IN THE STATE HIGHWAY FUND OR THE GENERAL FUND OR OTHER LEGALLY AVAILABLE SOURCES. THE OBLIGATIONS TO PAY RENT AND ALL OTHER OBLIGATIONS UNDER THE 2022 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 2021-22, and (ii) the Additional Rent estimated to be payable in such Fiscal Year to the extent the State does not expect to pay such amount from the State Expense Fund.

The 2022 Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the

amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2022 CERTIFICATES ARE OUTSTANDING.**

### **Lease Term**

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

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the Master Indenture, the 2022 Supplemental Indenture, the 2022 Lease and the 2022 Site Lease.

### **Nonrenewal of the Lease Term**

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property (including the 2022 Leased Property). However, the Indenture and the 2022 Lease permit the State to purchase the 2022 Leased Property in connection with the defeasance of all of the Series 2022 Certificates, as described in "THE SERIES 2022 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 2022 Certificates) and may exercise any other remedies available upon default as provided in

the Leases, including the sale of or lease of the Trustee's interest under the Site Leases. See "CERTAIN RISK FACTORS."

The Leases place certain limitations on the availability of money damages against the State as a remedy in an Event of Default or an Event of Nonappropriation. For example, such Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in the Leases. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Leases, along with other money then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the Leases and the Indenture), are required to be used to redeem the related Certificates, if and to the extent any such money are realized. See "CERTAIN RISK FACTORS."

## **The Leased Property**

### *Generally*

Pursuant to the Act, the Colorado State Architect, the Director of the Office of State Planning and Budgeting and designated State institutions of higher education have prepared a collaborative list of eligible State facilities that could be collateralized as part of the Leases for State Capital Construction Projects and State Highway and Transit Projects. The 2022 Leased Property has been selected from such list and consists of approximately 230 buildings and facilities located throughout Colorado in eight different locations. The 2022 Leased Property has a current replacement value of \$393,170,898. Prior to the issuance of the Series 2022 Certificates, the State is required to certify and is expected to certify to the Trustee that the Fair Market Value of the Leased Property allocated to the Prior Certificates and Series 2022 Certificates is at least equal to 90% of the aggregate principal amount of the Prior Certificates and Series 2022 Certificates. See "THE SERIES 2022 CERTIFICATES – Additional Series of Certificates." See **Appendix H** – "LEASED PROPERTY RELATING TO THE CERTIFICATES" for a description of the 2022 Leased Property subject to the 2022 Site Lease between the Trustee and the State.

The Leased Property consists of the property leased by the Trustee to the State pursuant to each of the Leases. As described above, the State is not permitted to renew any Lease (including the 2022 Lease) with respect to less than all of the Leased Property (including the 2022 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 2022 Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2022 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 2022 Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates plus accrued interest thereon. See "CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease" for a description of some of the factors that may impact the value of the Leased Property.**

### *State's Purchase Option*

The Leases grant the State the option to purchase all, but not less than all, of the related Leased Property in connection with the defeasance of all the related Certificates by paying to the Trustee the "State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the related Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. For purposes of a purchase of all the related Leased Property as described in this paragraph, the "State's Purchase Option Price" is an amount sufficient (i) to defease all the related Certificates in accordance with the defeasance provisions of the

Indenture and (ii) to pay all Additional Rent payable through the date on which the related Leased Property is conveyed to the State or its designee pursuant to the Indenture, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the related Leased Property and the payment, redemption or defeasance of the Outstanding related Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the money, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to the Master Indenture for the related Certificates, and (B) if any related Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the related Certificates shall be substituted for the related Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

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

#### ***Substitution of Leased Property***

The State is permitted under each Lease to substitute other property for certain Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Fair Market Value of the Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to 90% of the principal amount of all Outstanding Certificates and the Trustee receives adequate title insurance documentation, a certificate as to the useful life and essentiality of the substituted property and an opinion of Bond Counsel that such substitution will not cause the State to violate its tax covenant set forth in Section 8.04 of the 2022 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**.

### **CERTAIN RISK FACTORS**

THE PURCHASE AND OWNERSHIP OF THE SERIES 2022 CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2022 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 2022 CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2022 CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

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

The obligation of the State, as lessee, to make payments under the Leases (including the 2022 Lease) does not constitute an obligation of the State or CDOT to apply their respective general resources

beyond the current fiscal year. The State is not obligated to pay Base Rent or Additional Rent under the Leases unless each year funds are appropriated by the Colorado General Assembly and allocated by the Transportation Commission, notwithstanding the fact that sufficient funds may or may not be available for transfer from any other source. If, on or before June 30 of each Fiscal Year, the Colorado General Assembly and the Transportation Commission do not specifically appropriate or allocate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an “Event of Nonappropriation” will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Leases (including the 2022 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 2022 Lease “– Event of Nonappropriation,” in **Appendix B**.

The 2022 Lease provides that to the extent the Act is changed at any time to increase the maximum total amounts of annual lease payments during any fiscal year under the Leases or change the amounts allocated between the State General Fund and CDOT, such increase and new allocation amounts under the provisions of the Act will take effect without any further action by the State or the Trustee. **ACCORDINGLY, INVESTORS SHOULD NOT RELY ON ANY SPECIFIC ALLOCATION OF THE GENERAL FUND OR STATE HIGHWAY FUND AS SOURCES OF FUNDS FOR ANY ANNUAL APPROPRIATION OR ALLOCATION BY THE GENERAL ASSEMBLY OR THE TRANSPORTATION COMMISSION, RESPECTIVELY. SUCH ALLOCATIONS COULD CHANGE AT ANY TIME WHILE THE SERIES 2022 CERTIFICATES ARE OUTSTANDING.**

There is no assurance that the State will renew the Leases from fiscal year to fiscal year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation or allocation of funds may be affected by the continuing need of the State for the Leased Property (including the 2022 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 2022 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 2022 Certificates upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. See “Effect of a Nonrenewal of a Lease” under this caption.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2022 Lease) would mean the loss of the use of all of the Leased Property by the State. See “SECURITY AND SOURCES OF PAYMENT – The Leased Property.”



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

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

#### ***General***

In the event of nonrenewal of the State's obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, the State is required to vacate the Leased Property under the Leases. The Trustee may proceed to lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the related Lease and only as to certain liabilities as described in such Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other money then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such money are realized. See the form of 2022 Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2022 CERTIFICATES – Redemption – Extraordinary Redemption."

The money derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the Outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of any Lease for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2022 Certificate) will have any further claims for payment upon the State, CDOT or the Trustee. Further, owners of Series 2022 Certificates who purchase such Certificates at a premium should be aware that the unamortized premium of such Series 2022 Certificates are not payable under the Indenture in the event of an extraordinary redemption due to an Event of Nonappropriation or an Event of Default.

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

A potential purchaser of the Series 2022 Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The valuation of the Leased Property has not been based on any independent third-party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

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

Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. Further, a considerable amount of Leased Property is located in areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

The Trustee may only be able to lease certain Leased Property to a lessee that will continue to use it for certain restricted purposes. Such restriction may limit the Trustee's ability to obtain lease revenues for Owners in the event of nonrenewal of the State's obligations under the related Lease.

Upon termination of any Lease, there is no assurance of any payment of the principal of Series 2022 Certificates by the State or the Trustee.

Payment of the principal of and interest on the Series 2022 Certificates and the Prior Certificates is paid from the State's payment of the Base Rent and other sources identified in "SECURITY AND SOURCES OF PAYMENT," which sources do not include any payments generated from the Leased Property, other than the Base Rent. The State is not permitted to renew the Leases or any of them (including the 2022 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 2022 Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

### **Effects on the Series 2022 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 2022 Lease under certain circumstances as provided in the 2022 Lease upon the treatment for federal or State income tax purposes of any money received by the Owners of the Series 2022 Certificates, subsequent to such termination. See "TAX MATTERS." If the 2022 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 2022 Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2022 Lease.

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

The 2022 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 2022 Site Lease also requires that the State

shall pay as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the State in connection with the Leased Property subject to the Leases: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.*, or any successor statute, in an amount not less than the amounts for which the State may be liable to third parties thereunder and (2) for all other activities, in an amount not less than \$1,000,000 per occurrence. The Leases require the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State and to have such required insurance provided under blanket insurance policies or through the State’s risk management program. See “LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Self-Insurance.” There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or condemnation of the related Leased Property, money made available by reason of any such occurrence will be sufficient to redeem the Series 2022 Certificates at a price equal to the principal amount thereof outstanding. See “THE SERIES 2022 CERTIFICATES – Redemption.”

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

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

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor’s Office of State Planning and Budgeting (“**OSPB**”) is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on March 17, 2022 (the “**OSPB March 2022 Revenue Forecast**”) and is included in this Official Statement. See “STATE FINANCIAL INFORMATION” and **Appendix G** – “OSPB MARCH 2022 REVENUE FORECAST.” The next OSPB revenue forecast will be released in June 2022. General Fund revenue projections in the new forecast may be materially different from the OSPB March 2022 Revenue Forecast. A revenue shortfall could adversely affect the State’s ability to appropriate sufficient amounts to pay Base Rent in subsequent years. If a revenue shortfall is projected for any forecasted years which would result in a budgetary shortfall, budget cuts will be necessary to ensure the balanced budget. See “CERTAIN RISK FACTORS” and **Appendix E** – “THE STATE GENERAL FUND.”

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

The State’s Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual basis of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board (“**GASB**”), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State’s Fiscal Year budgets on the modified accrual basis, which does not take into

account the timing of when such amounts are received or paid. See “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations.”

### **Potential Impact of COVID-19 and Other Coronavirus Strains**

The spread of a novel strain of coronavirus called COVID-19 has altered the behavior of businesses and people in a manner that had and may continue to have significant negative effects on global, national, state and local economies, including the economy of the State.

COVID-19 has resulted in a substantial reduction of certain revenues historically available to the State, as well as requiring significant and public health emergency response cost. As discussed herein, COVID-19 materially adversely impacted the finances of the State beginning in Fiscal Year 2020.

State and local governments, including the State of Colorado, and public health entities, announced orders, recommendations and other measures intended to slow the spread of COVID-19, including limiting the size of public gatherings and regulating public spaces in order to minimize interpersonal contact. These COVID-19 measures have, for the most part, been eliminated or relaxed, but similar measures could be put into effect if new strains of coronavirus occur.

### **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 2022 Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons.

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

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

### **Cyber Security Risks**

The State, like other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private or sensitive information, the State is a potential target for a variety of cyber threats, including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Recognizing the potential damage that could be caused by any such attacks, the State has established the Governor’s Office of Information Technology (“**OIT**”) as the single source for the State’s cybersecurity readiness and awareness. The OIT has promulgated a series of policies and standards for State agencies and information security and provides mandatory training for State employees except those in the Department of Law, who receive training from the Department’s own cybersecurity specialist due to the nature of the work performed by that Department. In addition, the State has procured insurance coverage

for data breaches and other security and privacy incidents. On October 7, 2020, the Colorado Department of Personnel & Administration (“DPA”) became aware that a spreadsheet containing state employee personal information, including social security numbers, dates of birth, and other similar information, was inadvertently emailed to 38 benefit administrators at certain institutions of higher education. Upon learning this information, DPA requested the recipients delete the email and spreadsheet and confirm that they had done so. The email was delivered in encrypted fashion, so DPA believes the information was protected while in transit. DPA has stated that it has no evidence that employee information was misused or compromised in any fashion. Affected employees were notified and given information to take action to protect themselves against identity theft. In addition, employee computers at the Colorado Department of Transportation were the subject of a ransomware attack in February 2018. No assurance can be given that the State’s efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the State.

### **Climate Change Risks**

The State is at risk from climate change impacts and other force majeure events, such as extreme weather events, wildfires and other natural occurrences. Increased frequency and intensity of storms, including excessive snowstorms and tornadoes, droughts and fires may have an adverse impact on the State’s and CDOT’s respective operations and infrastructure. The State Legislature has enacted numerous laws addressing climate issues, including the collection of climate change data, improvement of fire mitigation strategies and the establishment of greenhouse gas emission standards. Although the State and CDOT have taken steps to implement various sustainability programs, there can be no assurances that any mitigation measures will reduce the impacts of climate change locally or globally. In addition to the direct effects of climate change described above, there are pending and potential regulations aimed at reducing the effects of climate change and, in particular, state, federal and international regulations and accords pertaining to greenhouse gas (“GHG”) emissions. Such regulatory changes could directly and/or indirectly affect State’s and CDOT’s operations, infrastructure and financial conditions. The State and CDOT are unable to predict what additional laws and regulations with respect to GHG emissions or other environmental issues will be adopted, or what effects such laws and regulations will have on the State, CDOT or the State economy. The future effects of climate change on the State’s and CDOT’s operations and infrastructure are complex, difficult to predict, depend on many factors outside of the State’s and CDOT’s control and could have material adverse effects. Furthermore, actual events may differ from any scientific climate change studies or forecasts. Accordingly, the State and CDOT are unable to forecast when adverse climate change effects or the confluence of these events or effects of climate change will occur or whether and what magnitude of adverse economic effects may impact the State, CDOT or the State’s economy generally during the term of the Series 2022 Certificates. No assurance can be given that adverse climate change events or natural disasters will not occur while the Series 2022 Certificates are outstanding, that the State or CDOT will not have to implement additional adaptive mitigation measures and/or that such measures will not require significant capital resources. Although the State has attempted to mitigate the risk of loss from many of these occurrences by purchasing commercial property and casualty insurance and business interruption insurance, no assurance can be given that such insurance will always be available in sufficient amounts, at a reasonable cost or available at all, or that insurers will pay claims in a timely manner or at all.

### **Potential Limitation of Tax Exemption of Interest on Series 2022 Certificates**

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2022 Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2022 Certificates to be subject,

directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2022 Certificates. Prospective purchasers of the Series 2022 Certificates should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS – Changes in Federal and State Tax Law.”

### **Secondary Market**

While the Underwriters expect, insofar as possible, to maintain a secondary market in the Series 2022 Certificates, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriters or others, and prospective purchasers of the Series 2022 Certificates should therefore be prepared, if necessary, to hold their Series 2022 Certificates to maturity or prior redemption, if any.

### **No Reserve Fund**

The State has not funded a debt service reserve fund for the Series 2022 Certificates.

## **THE STATE**

### **General Profile**

Colorado became the 38<sup>th</sup> state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately 5.8 million. The State’s major economic sectors include agriculture, professional and business services, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – “STATE OF COLORADO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021” and **Appendix I** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” for additional information about the State.

### **Organization**

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four-year terms. The current term of such officials commenced in January of 2019 (following the general election held in November of 2018) and will expire on the second Tuesday in January of 2023. No elected executive official may serve more than two consecutive terms in the same office.

The General Assembly is bicameral, consisting of the 35-member Senate and 65-member House of Representatives. Senators serve a term of four years and representatives serve a term of two years. No senator may serve more than two consecutive terms, and no representative may serve more than four consecutive terms. The State Constitution allocates to the General Assembly legislative responsibility

for, among other things, appropriating State money to pay the expenses of State government. The General Assembly meets annually in regular session beginning no later than the second Wednesday of January of each year. Regular sessions may not exceed 120 calendar days. Special sessions may be convened by proclamation of the Governor or by written request of two-thirds of the members of each house to consider only those subjects for which the special session is requested.

## STATE FINANCIAL INFORMATION

It is important for prospective investors to analyze the financial and overall status of the State, including the General Fund and State Highway Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See “SECURITY AND SOURCES OF PAYMENT” and “CERTAIN RISK FACTORS.” This section and the following section captioned “DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS” have been included to provide prospective purchasers with information relating to such matters. See also **Appendix A** – “STATE OF COLORADO ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021,” **Appendix E** – “THE STATE GENERAL FUND,” and **Appendix G** – “OSPB MARCH 2022 REVENUE FORECAST,” **Appendix I** – “CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION” and **Appendix J** – “STATE PENSION SYSTEM.” With the exception of the State economic and demographic information, which has been provided by Development Research Partners, Inc., the information in these sections and appendices has been provided by the State Treasurer.

### The State Treasurer

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

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

### Taxpayer’s Bill of Rights

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

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

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

TABOR further requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the “**TABOR Reserve**”), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the “**Long Bill**”) designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The OSPB March 2022 Revenue Forecast states that the TABOR Reserve requirement for Fiscal Years 2021-22 through 2023-24 have been estimated to be \$479.7 million, \$499.8 million and \$539.8 million, respectively.

***Fiscal Year Revenue and Spending Limits; Referendum C.*** As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and fiscal year spending, with any excess revenues required to be refunded to taxpayers. Fiscal year spending is defined as all expenditures and reserve increases except those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property 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. The operation of TABOR created State budget challenges in the early years following its passage, and in 2005 several measures were passed by the General Assembly in an effort to address these challenges, including one, designated “Referendum C,” that was submitted to and approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. Referendum C authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. In addition, for Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State Revenues Cap, or “ESRC,” as a voter- approved revenue change under TABOR that now serves as the limit on the State’s fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, which was determined to be the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law. However, per SB 17-267, the ESRC for Fiscal Year 2017-18 is an amount equal to (i) the ESRC for Fiscal Year 2016-17 calculated as provided above (ii) less \$200 million. Subsequently, the passage of SB 21-260 raised the ESRC to its pre-SB 17-267 levels, adjusted for inflation and population growth since the passage of SB 17-267.

SB 17-267, also (i) terminated the Hospital Provider Fee program and implemented the Healthcare Affordability and Sustainability Fee, which fee is exempt from TABOR as it is collected by



an enterprise created by SB 17-267 within the Department of Health Care Policy and Financing; (ii) exempts retail marijuana from the 2.9% State sales tax, which results in less revenue subject to TABOR in Fiscal Years 2017-18 and thereafter; and (iii) extends and expands the income tax credit for business personal property taxes paid, which is projected to reduce income tax 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 various amounts in excess of the previously applicable TABOR limit in Fiscal Years 2005-06 through 2013-14, and no refunds were required because such revenues were below the ESRC. In Fiscal Year 2014-15, TABOR revenues exceeded the TABOR limit and resulted in the State being \$150.0 million above the ESRC, thus triggering a TABOR refund. TABOR revenues again exceeded the TABOR limit in Fiscal Years 2015-16 and 2016-17 but were below the ESRC. In Fiscal Year 2017-18, TABOR revenues exceeded the TABOR limit and resulted in the State being \$18.5 million above the ESRC, and in Fiscal Years 2018-19, TABOR revenues exceeded the TABOR limit and resulted in the State being \$428.3 million above the ESRC, in each case triggering a TABOR refund. In Fiscal Year 2019-20, TABOR revenues exceeded the TABOR limit, but were below the ESRC. In Fiscal Year 2020-21, TABOR revenues exceeded the TABOR limit, and were above the ESRC. The OSPB March 2022 Revenue Forecast states that TABOR revenues are forecasted to exceed the ESRC in Fiscal Years 2021-22 and 2022-23.

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

Referendum C also created the “General Fund Exempt Account” within the General Fund, to which there is to be credited money equal to the amount of TABOR revenues in excess of the TABOR limit that the State retains for a given Fiscal Year pursuant to Referendum C. Such money may be appropriated or transferred by the General Assembly for the purposes of: (i) health care; (ii) public elementary, high school and higher education, including any related capital construction; (iii) retirement plans for firefighters and police officers if the General Assembly determines such funding to be necessary; and (iv) strategic transportation projects in the Colorado Department of Transportation Strategic Transportation Project Investment Program.

***Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA.***  
At the general election held on November 3, 2015, the State’s voters authorized the State to retain and spend \$66.1 million in sales and excise taxes on the sale of marijuana and marijuana products (“Marijuana Taxes”) authorized by Proposition AA approved by the State’s voters in November of 2013 that otherwise would have been subject to a required refund to taxpayers in Fiscal Year 2015-16 pursuant to TABOR. HB 15-1367, which referred the measure to the State’s voters as Proposition BB, also provides for the allocation of the retained amount for public school capital construction, for various purposes such as law enforcement, youth programs and marijuana education and prevention programs and for use by the General Fund for any purpose. For more information on how these amounts are treated in the General Fund, see the discussion in “Revenue Outlook-Cash Funds--Marijuana” in the OSPB March 2022 Revenue Forecast. SB 17-267 increased the special sales tax on retail marijuana sales from 10% to 15% effective July 1, 2017.

***Effect of TABOR on the Series 2022 Certificates.*** Voter approval under TABOR is not required for the execution and delivery of the Series 2022 Certificates because the State’s obligations under the 2022 Lease are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year. Therefore, such obligations are not a “multiple fiscal year direct or indirect debt or other financial obligation” within the meaning of TABOR.

## **State Funds**

The principal operating fund of the State is the General Fund. All revenues and money not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes. See **Appendix E** – “THE STATE GENERAL FUND” and **Appendix G** – “OSPB MARCH 2022 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 2016-17 through 2021-22. See also **Appendix E** – “THE STATE GENERAL FUND – General Fund Overview.”

<b>State of Colorado</b>	
<b>Unappropriated Reserve Requirement</b>	
<u>Fiscal Years</u>	<u>Unappropriated Reserve Requirement</u> <sup>1,2,3,4</sup>
2016-17	6.00%
2017-18	6.50
2018-19	7.25
2019-20	3.07
2020-21	2.86
2021-22	13.40

<sup>1</sup> 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.”

<sup>2</sup> 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.”

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

<sup>4</sup> Per HB 20-1383 and SB 21-226, the Unappropriated Reserve requirement was reduced to 3.07% for Fiscal Year 2019-20, 2.86% for Fiscal Year 2020-21, 13.40% for Fiscal Year 2021-22 and 15.00% for Fiscal Years 2022-23 and thereafter.

Source: State Treasurer’s Office.

**Expenditures; The Balanced Budget and Statutory Spending Limitation.** The State Constitution mandates that expenditures for any Fiscal Year may not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to: (i) such money as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year).

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

The limitation on the level of General Fund appropriations may be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared

by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor.

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

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

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

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

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares an Annual Comprehensive Financial Report, or “ACFR,” in accordance with generally accepted accounting principles (“GAAP”) applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State’s ACFR for Fiscal Year 2020-21 (the “**Fiscal Year 2020-21 ACFR**”) is appended to this Official Statement and includes the most current annual financial statements for the State.

### **Basis of Accounting**

For a detailed description of the State’s basis of accounting, see Note 1E to the financial statements in the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement.

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

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

## **Financial Audits**

Financial and post-performance audits of all State agencies are performed by the State Auditor (the “**Auditor**”) through the Auditor’s staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2026. 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 2020-21 ACFR, nor has the State Auditor performed any procedures relating to this Official Statement.

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

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

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

See also Notes 3 and 4 to the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement and **Appendix E** – “THE STATE GENERAL FUND – Investment of the State Pool.”

## **The State General Fund**

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

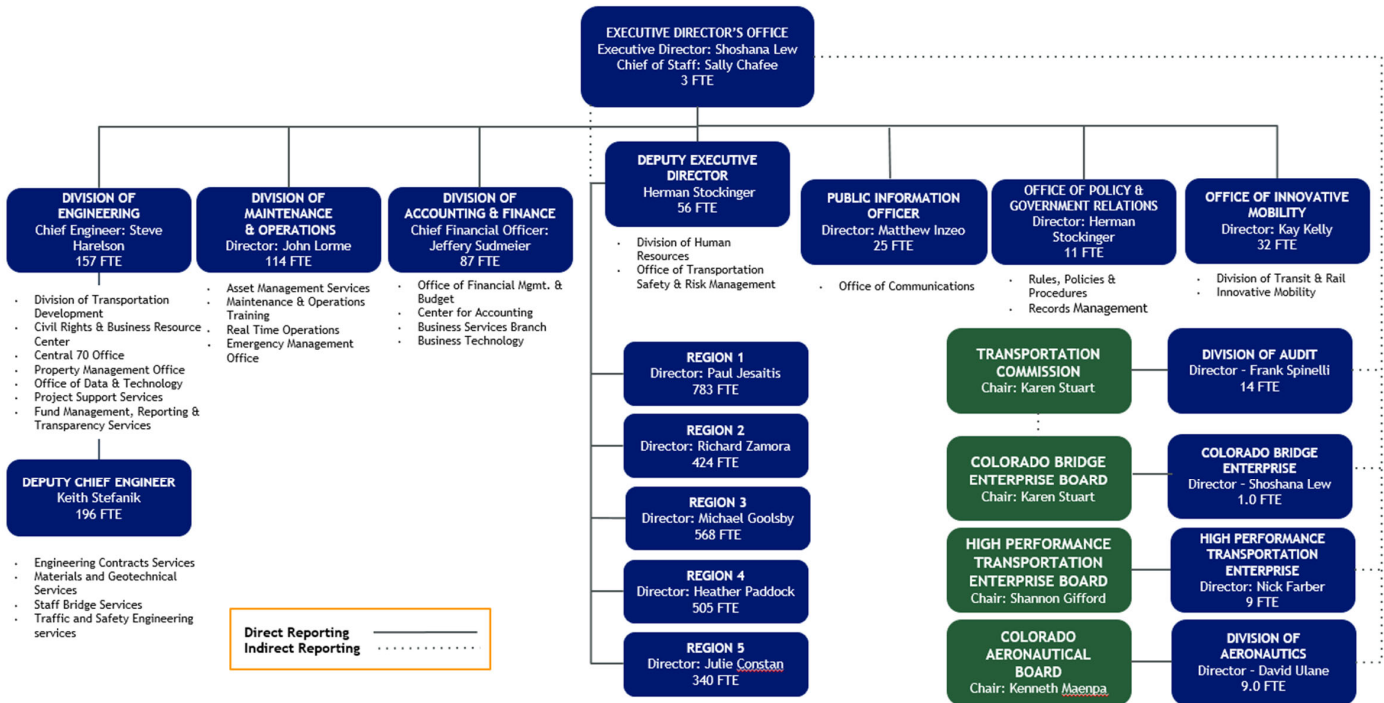
# THE COLORADO DEPARTMENT OF TRANSPORTATION

## General

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

## Organization of Department

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



## **The Transportation Commission**

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

## **Current Operations**

**General.** The State highway system covers 23,000 lane miles and each year handles over 52.7 billion vehicle miles of travel. CDOT oversees the construction, maintenance, and operations of the State highway system, administers transit and multimodal programs including an interregional bus service, and other programs including local programs, and safety education programs. CDOT's Capital Construction Program includes the surface treatment program designed to reduce deterioration of and preserve and maintain the surface condition of the State highway system, based on surface condition objectives established by the Transportation Commission. Other construction programs include CDOT's repair or replacement of structurally deficient bridges on the State highway system, and other programs focused on asset condition, safety, and regional priorities. CDOT's Maintenance and Operations Program, including regular maintenance and snow and ice removal activities, covers eight regions within the State and includes an additional maintenance unit to service the Eisenhower/Johnson Memorial Tunnel on I-70 and a Traffic and Safety Engineering section that is responsible for signals, signing, and striping in the Denver metropolitan area. Other programs include Multimodal Services, Suballocated Programs (funds passed through to local agencies), and Administration and Operations. Nearly two-thirds of CDOT's staff is dedicated to highway maintenance, and CDOT's maintenance and asset management program budget for Fiscal Year 2020-21 totaled \$703.7 million, with approximately \$78.7 million allocated to snow and ice removal. For Fiscal Year 2020-21, CDOT's total budget covering all its programs was \$1,983.9 billion. For Fiscal year 2021-22, CDOT's total budget covering all its programs is \$1,899.2 billion.

**High Performance Transportation Enterprise and Colorado Bridge and Tunnel 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 now known as the "**Colorado Bridge and Tunnel Enterprise**"). HPTE and the Colorado Bridge and Tunnel 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 and Tunnel Enterprise was established to finance, repair, reconstruct and replace any designated bridges in the State, and if agreed to by the Colorado Bridge and Tunnel Enterprise and the Transportation Commission, or CDOT to the extent authorized by the Transportation Commission, to maintain the bridges it finances, repairs, reconstructs and replaces. FASTER also authorized several new funding sources for improvements to roads and bridges on the public highway system including (i) a road safety surcharge varying by vehicle weight collected through the payment of registration fees and specific ownership taxes, supplemental oversize/overweight vehicle permit fees, daily vehicle rental fees, and an increased fee for the late registration of a motor vehicle (collectively “**FASTER Revenues**”), and (ii) a registration fee surcharge for improvements to bridges on the State highway system rated as “poor” (the “**Bridge Safety Surcharge**”). The FASTER Revenues are deposited to the Highway Users Tax Fund (which is a major source of revenue to the State Highway Fund), which revenues can only be used to finance the construction, reconstruction or maintenance of projects to enhance the safety of State, county, municipality and city roads and streets. The FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Purchase Option Price. The Bridge Safety Surcharge is deposited into the Bridge Special Fund and is payable directly to Colorado Bridge and Tunnel Enterprise. The Bridge Safety Surcharge is not available for other uses (including the payment of any Base Rentals, Additional Rentals or the Purchase Option Price).

## **Transportation Plans**

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

## **COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION**

### **General**

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



## **State Highway Fund (CDOT Operating Fund)**

**General.** Except to the extent payable from the proceeds of the Certificates (including the Series 2022 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 2022 Certificates) and the interest thereon are payable solely from Revenues, consisting principally of the Base Rentals and the Purchase Option Price, if paid. Base Rental payments may be made solely from amounts annually allocated therefor by the Transportation Commission from the State Highway Fund and amounts annually appropriated by the General Assembly from the General Fund.

**State Highway Fund.** The State Highway Fund, established pursuant to Section 43-1-219, Colorado Revised Statutes, is the primary operating fund used by CDOT to manage State transportation projects. The State Highway Fund receives revenue from the Highway Users Tax Fund (the "HUTF"), various other revenue and fees, federal funds, and the General Fund of the State. Only certain money on deposit in the State Highway Fund will be available to pay Base Rentals (mainly certain amounts transferred from the HUTF). In Fiscal Years 2019-20 and 2020-21, approximately 23.5% (or \$498.5 million) and 18.8% (or \$422.7 million), respectively, of the deposits to the State Highway Fund consisted of revenues from the HUTF that would have been available to pay Base Rentals, \$60 million of which was part of a one-time only General Fund transfer directly into the Department's second stream HUTF revenues as part of SB 19-262, in Fiscal Year 2019-20. Absent the transfer, CDOT's HUTF forecast encountered a shortfall of (\$28.9) million between first and second stream revenues in Fiscal Year 2019-20 due to the impact of COVID-19. In Fiscal Year 2020-21, CDOT encountered a shortfall of \$43.8 million, due to the continued impact of COVID-19. In Fiscal Year 2021-22, CDOT's most recent official forecast anticipates that approximately 23.1% (or \$442.1 million) of the deposits to the State Highway Fund will consist of revenues from the HUTF that would be available to pay Base Rentals. As described below under "Appropriations and Budgetary Process – The Budget Process," over 97% of CDOT's budget is automatically appropriated each Fiscal Year pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. The Base Rentals are part of the budget that is subject to continuing appropriation. In addition to the Base Rentals, budgeting for operations, construction, and maintenance activities are part of the budget that is subject to continuing appropriation. The other major source of revenue to the State Highway Fund is federal grants and contracts, which are not available to pay the Base Rentals.

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

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

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

### State Motor Fuel Tax Rates

<u>Fuel Type</u>	<u>Tax Rate (cents per gallon)</u>
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 \$624.5 million (58.3%) of the total HUTF revenues in Fiscal Year 2019-20, and \$593.6 million (56.9%) in Fiscal Year 2020-21. Based on CDOT’s most recent forecast, State motor fuel taxes are expected to generate \$635.0 million (60.3%) of the total HUTF revenues in Fiscal Year 2021-2022. The State’s motor fuel tax generated \$307.0 million (14.9%) of total CDOT revenues in Fiscal Year 2019-20, and \$295.9 million (13.1%) in Fiscal Year 2020-21. CDOT’s most recent official forecast anticipates that the State’s motor fuel tax will generate \$309.5 million (16.2%) of total CDOT revenues in Fiscal Year 2021-22

The remaining portion of HUTF revenues are comprised of

- (i) motor vehicle registration and other fees, which together generated \$256.9 million (24.0%) of the total HUTF revenues, and \$131.6 million (6.3%) of total CDOT revenues in Fiscal Year 2019-20, and \$259.8 million (24.9%) of the total HUTF revenues, and \$126.8 million (5.6%) of total CDOT revenues in Fiscal Year 2020-21. CDOT also received a one-time only transfer from the General Fund of \$60 million directly into the Department’s second stream HUTF revenues in Fiscal Year 2019-20 as part of SB 19 262. In Fiscal Year 2021-22, CDOT’s most recent official forecast expects motor vehicle registration and other fees to generate \$265.2 million (25.2%) of the total HUTF revenues and \$132.6 million (6.9%) of total CDOT revenues; and
- (ii) FASTER Revenues, which generated \$113.7 million (5.5%) of total CDOT revenues in Fiscal Year 2019-20, and \$113.8 million (5.0%) of total CDOT revenues in Fiscal Year 2020-21. CDOT’s most recent official forecast is expected to generate \$91.9 million (4.8%) of total CDOT revenues in Fiscal year 2021-22. *FASTER Revenues will not be available to make payments of any Base Rentals, Additional Rentals or the Purchase Option 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 \$162.1 million (15.1%) of the total HUTF in Fiscal Year 2019-20, and \$160.5 million (15.4%) of the total HUTF in Fiscal Year 2020-21, and CDOT’s most recent official forecast anticipates “off-the-top” deductions to be \$175.5 million (16.7%) of the total HUTF in Fiscal Year 2021-22. By

statute, the “off-the-top” deductions may not increase more than 6% annually and may grow to the level of 23% of the HUTF’s total income from the previous Fiscal Year.

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

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

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

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

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

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal Years 2012-13 through 2021-22 that would have been available to pay Base Rentals.

**HUTF Revenue to CDOT  
Available to Pay Base Rentals  
Fiscal Years 2012-13 through 2021-22  
(Dollars in millions)**

<u>Fiscal Year</u>	<u>HUTF Revenue<sup>1</sup></u>
2013	\$406.2
2014	418.6
2015	436.0
2016	438.5
2017	450.1
2018	469.3
2019	460.7
2020	438.5
2021	422.7
2022	442.1

<sup>1</sup> Excludes FASTER Revenues, which are not available to pay Base Rentals.

Source: CDOT.

## General Fund Transfers

In recent years, CDOT has received several transfers from the state General Fund. Senate Bill 18-001 transferred \$346.5 million from the General Fund to CDOT in Fiscal Year 2018-19, and \$105.0 million from the General Fund in state Fiscal Year 2019-20. These transfers, per Transportation Commission action, were allocated to priority highway projects. Senate Bill 19-262 transferred \$60 million from the General Fund to CDOT through the Highway Users Tax Fund in Fiscal Year 2019-20. Senate Bill 21-110 transferred \$30 million from the General Fund to CDOT specifically to provide additional funding for the Revitalizing Main Streets Program. Senate Bill 21-265 transferred \$124.0 million from the General Fund to the State Highway Fund to backfill debt service assistance that was previously repealed in House Bill 20-1376 in response to COVID-19. Lastly, Senate Bill 21-260 will provide the Department with transfers of \$100 million between Fiscal Year 2024-25 to Fiscal Year 2028-29. Of this amount, \$10 million must be used to mitigate the environmental and health impacts of increased air pollution. Between Fiscal Year 2029-30 to Fiscal Year 2031-32, Senate Bill 21-260 created transfers from the General Fund to CDOT in the amount of \$82.5 million annually. This bill also created additional dedicated transfers to specific programs within CDOT.

## 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 Purchase Option Price. The largest source of restricted revenues are money CDOT receives from the federal government through a number of programs for highway, safety, transit and motor carrier projects, generally known as the Federal-Aid Highway Program (the “FAHP”). The FAHP is administered by FHWA. Payments to states under the FAHP are derived from amounts in the Federal Highway Trust Fund. CDOT received \$534.0 million of FAHP funding in Fiscal Year 2019-20, and \$550.6 million in Fiscal Year 2020-21, and expects to receive \$666.4 million in Fiscal Year 2020-21. The large increase in Fiscal Year 2021-22 FAHP funding is due to Congress passing the Infrastructure Investment and Jobs Act (IIJA) on November 15, 2021, that reauthorizes the nation’s surface transportation and drinking water and wastewater legislation and pours additional funds into new programs in transportation, energy transmission, resilience, broadband, and many others.

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

Additionally, CDOT receives certain unrestricted miscellaneous revenues from interest income, various permits, rentals of buildings in CDOT right-of-way, and sales of property. Such revenues would be available to make payments on the Certificates (including the Series 2022 Certificates). Such unrestricted miscellaneous revenues totaled approximately \$50.6 million for Fiscal Year 2019-20, and \$41.5 million for Fiscal Year 2020-21, and are expected to total approximately \$27.6 million for Fiscal Year 2021-22. 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 2015-16 through 2020-21. These tables were taken from the financial statements of the

State as of and for Fiscal Years 2015-16 through 2020-21, which are audited by the State Auditor (the “Auditor”). The State’s Fiscal Year 2020-21 Annual Comprehensive Financial Report, or “ACFR,” including the State Auditor’s Opinion thereon, is also appended to this Official Statement as **Appendix A**. Prospective investors who wish to review the State’s ACFRs for Fiscal Years 2016-17 through 2020-21 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.

### **Recently Passed Legislation**

On June 17, 2021, Senate Bill 21-260 (“SB 21-260”), Sustainability of the Transportation System, was signed by Governor Polis. The general purpose of the bill is to modernize the State’s transportation systems, with an emphasis on promoting the use of electric cars and related infrastructure and technology. The bill will inject an estimated \$5.3 billion into transportation-related initiatives. Most funding for these initiatives will come from an estimated \$3.8 billion in new fees to be generated over the next ten years from fuel purchases, vehicle registrations, ride-sharing services and retail deliveries. Additionally, the bill calls for \$1.5 billion in transfers from the General Fund to the State Highway Fund and the HUTF, among other funds and programs. Further, SB 21-260 will lift current Referendum C caps (above TABOR limits) that apply to, among other purposes, spending for strategic transportation projects.

### **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 2020-21 ACFR, including the State Auditor’s Opinion thereon, is appended to this Official Statement as **Appendix A**. The Office of the State Auditor, being the State’s independent auditor, has not been engaged to perform and has not performed, since the date of the State Auditor’s report included herein, any procedures on the financial statements presented in the Fiscal Year 2020-21 ACFR, nor has the State Auditor performed any procedures relating to this Official Statement.

## CDOT Employee Retirement Plan

CDOT employees participate in a retirement plan administered by the State’s Public Employees’ Retirement Association of Colorado (“PERA”). For information about PERA, see “STATE FINANCIAL INFORMATION – Pension and Post-Employment Benefits” and **Appendix J** – “STATE PENSION SYSTEM.” CDOT’s contributions to PERA are made from federal transportation funds and from HUTF revenues. The following table sets forth CDOT’s contributions to PERA in dollars (equal to the statutorily required contribution amounts for each period) and as a percentage of HUTF revenues for Fiscal Years 2016-17 through 2020-21.

### CDOT Contributions to PERA Fiscal Years 2016-17 through 2020-21

<u>Fiscal Year</u>	<u>Dollar Amount of CDOT Contribution to PERA</u>	<u>Contribution as a Percentage of HUTF Revenues</u>
2017	\$35,825,179	8.0%
2018	37,446,575	8.0
2019	39,581,009	8.6
2020	41,214,636	9.4
2021	42,333,972	10.0

Source: CDOT

CDOT’s proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal Year 2020-21, excluding CDOT enterprises and internal service funds, was \$568.4 million. 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 2020-21 budget) is automatically appropriated pursuant to statutory continuing appropriation and is subject to annual approval and allocation by the Transportation Commission. Most programs are subject to continuing appropriation, including CDOT’s share of Debt Service (which includes the Base Rentals). The budget is organized around the following four core functions and four support functions:

#### Core Functions

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

II. **Maintenance & Operations:** CDOT maintenance and operations staff are responsible for the daily maintenance and operation of the state transportation system. This includes 13 Maintenance Program Areas focused on activities such as snow and ice removal and pavement repair, and programs

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

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

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

#### Support Functions

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

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

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

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

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

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

The Fiscal Year 2021-22 CDOT budget was approved by the Transportation Commission on March 18, 2021 and was signed by the Governor by June 30, 2021. The Fiscal year 2022-23 CDOT budget was approved by the Transportation Commission on March 17, 2022 and was signed by the Governor on April 17, 2022.

*Budget Items Subject to Annual Legislative Appropriation.* The remaining portion of CDOT's budget (less than 3% of the Fiscal Year 2021-22 budget) is appropriated annually by the General Assembly. This appropriated portion of the budget includes the budgets for administration and the First Time Drunk Driving Offender account. The budget for administration, as defined by State statute, includes the salaries and expenses of the offices and staff of the Transportation Commission, the Executive Director, the Chief Engineer, regional directors, budget, internal audit, public information, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing. State statutes limit administrative spending for these items to 5% of the total budget allocation plan for CDOT. State statutes provide that appropriations made by the General Assembly to CDOT for administrative expenditures are to be set forth in a single line item as a total sum, without identification by project, program, or district.

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

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

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

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



## DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

### CDOT

**Series 2016 and 2017 Certificates of Participation.** The State of Colorado, Colorado Department of Transportation Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016 (the “**Series 2016 Certificates**”) and the State of Colorado, Colorado Department of Transportation Amended and Restated Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2017 (the “**Series 2017 Certificates**”) represent proportionate interests in the right of Zions Bancorporation, National Association, as trustee for both transactions to receive base rentals and other amounts payable by the State, acting by and through CDOT pursuant to annually renewable lease purchase agreements. Payments of base rentals and other amounts under such lease purchase agreements are expected to be paid from amounts annually allocated therefor by the Transportation Commission, in its sole discretion from certain amounts on deposit in the State Highway Fund. A portion of the Series 2016 Certificates were refunded by Series 2020 Certificates. As of the date of this Official Statement, the Series 2016 Certificates were outstanding in the aggregate principal amount of \$42,210,000 and the Series 2017 Certificates were outstanding in the aggregate principal amount of \$53,900,000, and the Series 2020 Refunding Certificates were outstanding in the aggregate principal amount of \$19,050,000. The property being leased in connection with the Series 2016 Certificates and Series 2017 Certificates is not part of the Leased Property.

**Series 2012 Lease Purchase Agreement.** CDOT entered into a lease purchase agreement (the “**Series 2012 Lease**”) with Wells Fargo National Association, as trustee, in connection with the Certificates of Participation, Series 2012 (the “**Series 2012 Certificates**”). As of the date of this Official Statement, the Series 2012 Certificates were outstanding in the aggregate principal amount of \$2,315,000. The Series 2012 Certificates have a final maturity date of June 15, 2022. The property being leased under the Series 2012 Lease is not part of the Leased Property.

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

**Lanes Project**”) as a result of delays in the collection of tolls on the C-470 Express Lanes Project caused by construction delays (unless such delays are caused by HPTE or the entity hired to collect the tolls).

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

In May 2021, HPTE purchased the Burnham Yard property for \$50,000,000, funded primarily through two bank loans. As part of the purchase, HPTE and CDOT entered into an intra-agency agreement (IAA) and a 30-year lease agreement for the entire 60-acre parcel. CDOT prepaid 5 years of that lease and once CDOT identifies what part of the parcel is needed for transportation purposes, the property that isn’t needed for transportation will be sold off so it can be used for future development. Proceeds from the sale will pay off the loan, the lease with CDOT will terminate, and approximately 15-17 acres will be transferred to CDOT.

**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 2022 Certificates will have, no outstanding general obligation debt.

**Governmental Activities.** The State is authorized to and has entered into lease purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 11 and 12 to the State’s Fiscal Year 2020-21 ACFR appended to this for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2021, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2020-21 and thereafter, and also Note 21 to the Fiscal Year 2020-21 ACFR for a discussion of lease-purchase agreements entered into by the State after June 30, 2021, but before publication of the Fiscal Year 2020-21 ACFR. On June 2, 2020, the State issued its Rural Colorado Certificates of Participation Series 2020A in the aggregate principal amount of \$500,000,000, that are paid and secured by certain payments made by the State pursuant to a lease purchase agreement. The State also issued its Colorado Department of Transportation Second Amended and Restated Headquarters Facilities Lease Purchase Agreement Refunding Certificates of Participation Series 2020 in the aggregate principal amount of \$19,050,000 on August 5, 2020, which are paid and secured by certain payments made by the State, acting by and through the Colorado Department of Transportation, pursuant to a lease purchase agreement. On October 14, 2020, the State issued its National Western Center Certificates of Participation Series 2020A (Tax-Exempt) in the aggregate principal amount of \$68,670,000 and its National Western Center Certificates of Participation Series 2020B (Taxable) in the aggregate principal amount of \$44,225,000 which are paid and secured by certain payments made by the State pursuant to a lease purchase agreement. On February 24, 2021, the State issued its State of Colorado Higher Education Lease Purchase Financing Program Certificates of Participation Series 2020 in the aggregate principal amount of \$64,250,000. On June 2, 2021, the State also issued its Rural Colorado Certificates of Participation Series 2021A in the aggregate principal

amount of \$500,000,000, that are paid and secured by certain payments made by the State pursuant to a lease purchase agreement.

In addition to lease purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 10 and 12 to the State's Fiscal Year 2020-21 ACFR appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2021 as well as the aggregate minimum payment obligations under such agreements in Fiscal Year 2020-21 and thereafter.

State departments and agencies, including State institutions of higher education, are also authorized to and have entered into annually renewable lease purchase agreements, and to issue revenue bonds and notes, for the purchase of equipment, the construction of facilities and infrastructure and other business-type activities. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 11, 12 and 21 to the State's Fiscal Year 2020-21 ACFR appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2021, and of those issued after June 30, 2021, but before publication of the Fiscal Year 2020-21 ACFR. The revenue bonds and certificates of participation listed in such Notes have in most cases been publicly offered, while the notes payable listed in such Notes have generally been private financings directly with banks or other financial institutions. The State has contingent moral obligations to intercept revenue and make certain debt payments on notes and bonds issued by State school districts in the event they fail to make a required payment to the holders of such notes and bonds. See Notes 19 and 21 to the State's Fiscal Year 2020-21 ACFR appended to this Official Statement.

See also the Statistical Section of the State's Fiscal Year 2020-21 ACFR for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

### **State Tax and Revenue Anticipation Notes**

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

On January 12, 2022, the State issued \$400 million in aggregate principal amount of its Education Loan Program Tax and Revenue Anticipation Notes, Series 2021 to meet cash flow shortages experienced by local school districts in the State. On July 20, 2021, the State issued \$370 million in aggregate principal amount of its Education Loan Program Tax and Revenue Anticipation Notes, Series 2021A.

See also the Statistical Section of the State's Fiscal Year 2020-21 ACFR appended to this Official Statement for a ten-year history of the total outstanding debt and related debt service expenditures of the State.

## State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State and the State Treasurer has no responsibility for such issuances, although pursuant to Section 22-30.5-408, C.R.S., the State may, but is not obligated to, appropriate money to cure unreplenished draws on debt service reserve funds for certain bonds issued by the Colorado Educational and Cultural Facilities Authority to fund facilities for charter schools. Generally, State authorities are legally separate, independent bodies governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

## Pension and Post-Employment Benefits

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

For a general description of the State Division Plan and PERA, see **Appendix J** – “STATE PENSION SYSTEM.” For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 6, 7 and 8 to the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement, as well as PERA’s Annual Report for calendar year 2020 (the “**PERA 2021 Annual Report**”). The information in the State’s Fiscal Year 2020-21 ACFR regarding PERA is derived from PERA 2020 Annual Report.

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

The PERA 2020 Annual Report reports that at December 31, 2020, the actuarial value of assets of the State Division Plan was approximately \$16.039 billion and the actuarial accrued liability, or “AAL,” of the Plan was approximately \$27.117 billion, resulting in an unfunded actuarial accrued liability, or “UAAL,” approximately \$11.078 billion, a funded ratio of 59.1 % and an amortization period of 35 years, all as further described in **Appendix J** – “STATE PENSION SYSTEM.” The actuarial value of assets for the State Division Plan uses an asset valuation method of smoothing the difference between the

market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Based on the market value of assets of the State Division Plan, at December 31, 2020, the Plan had an unfunded accrued liability of approximately 9.457 billion and a funded ratio of 65.1%.

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

Because the State’s annual contributions with respect to the State Division Plan are set by statute and funded in the State’s annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of the Plan assets or the funding ratio of the Plan.

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

***The Health Care Trust Fund.*** The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance to State employees is provided through PERA’s Health Care Trust Fund, in which members from all divisions of PERA are eligible to participate. The Health Care Trust Fund is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of money consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division’s trust fund. At December 31, 2020, the Health Care Trust Fund had a UAAL of approximately \$987.635 billion, a funded ratio of 30.3% and a 20-year amortization period. Because the Health Care Trust Fund is a cost-sharing, multiple employer plan, PERA’s actuary has not determined the portion of the unfunded actuarial accrued liability that applies to each Division participant. The benefit provided by the Health Care Trust Fund is a fixed limited subsidy of the retiree’s health care insurance premium payment, and the retiree bears all risk of medical cost inflation. See Notes 9 and 11 to the PERA 2020 ACFR for additional information regarding the Health Care Trust Fund.

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

Fiscal Year 2020-21 ACFR and Notes 1, 6, 7 and 8 to the Financial Statements in the State's Fiscal Year 2020-21 ACFR, as well as **Appendix J** – "STATE PENSION SYSTEM" and particularly the section thereof entitled "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68."

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("**GASB 75**"), is effective for fiscal years beginning after June 15, 2017, and accordingly was first implemented in the State's Fiscal Year 2018-19 ACFR. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits ("**OPEB**") liability (of all employers for benefits provided through the OPEB plan), *i.e.*, the collective net OPEB liability. The State is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. GASB 75 also requires additional footnote disclosures about the pension trust fund in the financial statements.

***Effect of Pension Liability on the 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 2020-21 ACFR appended to this Official Statement under the caption "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Public Employees Retirement Association Reforms." 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 2020-21 ACFR or the State's ability to fully pay its obligations, including the Certificates.

## **LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE**

### **No Litigation Affecting the Series 2022 Certificates**

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 2022 Certificates, (b) questioning the right of the State Treasurer to enter into the 2022 Lease or 2022 Site Lease in the manner provided in the Act, or (c) questioning or affecting the validity of the Series 2022 Certificates or the proceedings or authority under which they are to be executed and delivered.

### **Governmental Immunity**

The Colorado Governmental Immunity Act, Article 10 of Title 24, C.R.S. (the "**Immunity Act**"), provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity, except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered. For incidents occurring prior to July 1, 2013, the limits are \$150,000 for injury to one person in a single occurrence and an aggregate of \$600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$150,000; for incidents occurring on and after January 1, 2013, but before January 1, 2018, the maximum amounts that may be recovered under the Immunity Act are \$350,000 for injury to one person in a single occurrence and an aggregate of \$990,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$350,000; and for incidents occurring on and after January 1, 2018, but before January 1, 2022, the maximum amounts that may be recovered under the Immunity Act are \$387,000 for injury to one person in a single occurrence and an aggregate of \$1,093,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of \$387,000. These limits are subject to adjustment on January 1, 2022, and every four years thereafter based on the percentage change in the

Consumer Price Index for Denver-Boulder-Greeley, or its successor index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or State employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State or its employees sued in their official capacities under federal statutes when such actions are brought in federal court.

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

### **Self-Insurance**

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 1G, 9 and 19 and General Fund Components (in Supplementary Information) in the State's Fiscal Year 2020-21 ACFR appended to this Official Statement. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

## **TAX MATTERS**

The Internal Revenue Code of 1986, as amended, includes requirements which the State must continue to meet after the issuance of the Series 2022 Certificates in order that the portion of Base Rent designated and paid by the State as interest on the Series 2022 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 2022 Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2022 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 2022 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 2022 Certificates (referred to herein as "**interest**") is excludable from gross income for federal income tax purposes, and, further that, interest on the Series 2022 Certificates is not an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals. No opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2022 Certificates following termination of the Series 2022 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, the portion of Base Rent designated and paid as interest to the holders of the Series 2022 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 2022 Certificates following termination of the Series 2022 Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. Prospective purchasers of the Series 2022 Certificates should consult their own tax advisors as to the status of interest on the Series 2022 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 2022 Certificates, or the ownership or disposition of the Series 2022 Certificates. Prospective purchasers of Series 2022 Certificates should be aware that the ownership of Series 2022 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 2022 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 2022 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 2022 Certificates, (iii) the inclusion of the portion of Base Rent designated and paid as interest on the Series 2022 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 2022 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 2022 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 2022 Certificates. Prospective purchasers of the Series 2022 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**

The Series 2022 Certificates ("**Premium Series 2022 Certificates**") were 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 2022 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 2022 Certificate, based on the yield to maturity of that Premium Series 2022 Certificate (or, in the case of a Premium Series 2022 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 2022 Certificate), 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 2022 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 2022 Certificate, the owner's tax basis in the Premium Series 2022 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 2022 Certificate for an amount equal to or less than the amount paid by the owner for that Premium Series 2022 Certificate.

Owners of Premium Series 2022 Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Series 2022 Certificates and as to other federal tax consequences, and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

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

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the portion of Base Rent designated and paid as interest on the Series 2022 Certificates. Changes such as these could adversely affect the market price or marketability of the Series 2022 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 2022 Certificates. Prospective purchasers of the Series 2022 Certificates should consult their tax advisers 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 2022 Certificates. If an audit is commenced, the market value and marketability of the Series 2022 Certificates may be adversely affected. An adverse determination by the Service with respect to the tax-exempt status of interest on the Series 2022 Certificates could be expected to adversely impact the secondary market, if any, for the Series 2022 Certificates, and if a secondary market exists, would also be expected to adversely impact the price at which the Series 2022 Certificates can be sold. The Master Indenture and the Series 2022 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 2022 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 2022 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 2022 Certificates.

There can be no assurance that an audit by the Service of the Series 2022 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 2022 Certificates.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt obligations such as the Series 2022 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 2022 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 2022 Certificates, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Series 2022 Certificates and proceeds from the sale of Series 2022 Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2022 Certificates. This withholding generally applies if the owner of Series 2022 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 2022 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 2022 Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to \$625,895,703.40 (representing the aggregate principal amount of the Series 2022 Certificates of \$500,000,000.00, plus original issue premium of \$126,882,896.40 less an aggregate underwriting discount of \$987,193.00). The Underwriters have agreed to accept delivery of and pay for all the Series 2022 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 2022 Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2022 Certificates to certain dealers (including dealers depositing such Series 2022 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 offerings 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.

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

Morgan Stanley & Co. LLC, an underwriter of the Series 2022 Certificates, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022 Certificates.

Piper Sandler & Co., one of the Underwriters of the Series 2022 Certificates, has entered into a distribution agreement (“**Distribution Agreement**”) with Charles Schwab & Co., Inc. (“**CS&Co**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2022 Certificates from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any Series 2022 Certificates that CS&Co. sells.

## **LEGAL MATTERS**

Legal matters relating to the validity of the Series 2022 Certificates are subject to the approving opinion of Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2022 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 2022 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 2022 Certificates.

## **RATINGS**

Standard & Poor’s Ratings Services (“**S&P**”) has assigned the Series 2022 Certificates a rating of “**AA-**” and Moody’s Investors Service has assigned the Series 2022 Certificates a rating of “**Aa2**”. No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State makes no representation regarding any rating outlooks related to the Series 2022 Certificates or any other obligations of the State. The State has furnished to the rating agencies certain information and materials relating to the Series 2022 Certificates and the 2022 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 2022 Certificates. Neither the State, the Municipal Advisor (hereinafter defined), nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

### **MUNICIPAL ADVISORS**

The State has retained Hilltop Securities Inc., Denver, Colorado and CDOT has retained Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, as municipal advisors (collectively, the “**Municipal Advisors**”) in connection with the Series 2022 Certificates and with respect to the authorization, execution and delivery of the Series 2022 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 2022 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 2022 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, 2022,, 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 2022 Certificates, and, if necessary, may be enforced by such Owners and Beneficial Owners by specific performance of such obligations by any judicial proceeding available. However, a breach of the State Treasurer’s obligations pursuant to the Continuing Disclosure Undertaking does not constitute an Indenture Event of Default or a Lease Event of Default, and none of the rights and remedies provided in the Indenture and the Lease for such defaults will be available to the Owners and Beneficial Owners of the Certificates in the event of a breach of the Continuing Disclosure Undertaking.

### **Compliance with Other Continuing Disclosure Undertakings**

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

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

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

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

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

The State was unable to post its Fiscal Year 2016-17 audited financial statements on EMMA by January 26, 2018, as required by such continuing disclosure undertakings. A notice of late filing was posted on EMMA on January 25, 2018, and the State's unaudited Basic Financial Statements for Fiscal Year 2016-17 and the State's Fiscal Year 2016-17 ACFR were posted on EMMA on January 9, 2018, and February 8, 2018, respectively.

Due to a late journal entry by a department, the State's audited annual financial statements (the Fiscal Year 2019-20 ACFR) was not released and posted until March 16, 2021, resulting in a late filing of the audited annual financial statements for some of the State's outstanding issues. The State filed a Failure to Provide Annual Financial Information as Required Filing with EMMA on January 26, 2021. On November 9, 2021, the State filed a Notice of Financial Obligation – Incurrence and Agreement and the related fourth supplemental mortgage and indenture of trust on EMMA. The filing was in addition and with respect to, among other filings, an Other Event-Based Disclosures filing on EMMA on September 24, 2021 with respect to the defeasance and redemption of prior series of certificates of participation for UCDHSC Fitzsimmons Academic Projects for which notices of defeasance and redemption, notice of amendment to indenture and release of a lease purchase agreement were previously filed by the trustee bank. On January 26, 2022, the State filed a Failure to Provide Audited Financial Statements on EMMA in connection with the State failing to comply with the requirements of prior continuing disclosure undertakings to file the Fiscal Year 2020-21 ACFR by January 26, 2022. Such ACFR was filed with EMMA on February 14, 2022.

### **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 2022 Certificates, copies of the Act and certain other documents referred to herein may be obtained from the source provided in “INTRODUCTION – Miscellaneous.” So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

**OFFICIAL STATEMENT CERTIFICATION**

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

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

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

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**APPENDIX A**  
**State of Colorado Annual Comprehensive Financial Report**  
**for the Fiscal Year ended June 30, 2021**

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# COLORADO



## Annual Comprehensive Financial Report

*For the Fiscal Year  
Ended June 30, 2021*



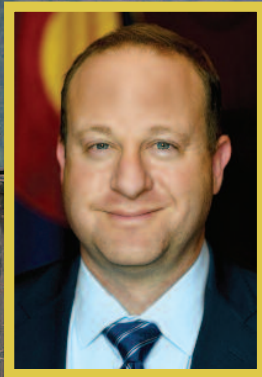
**COLORADO**  
Office of the State Controller  
Department of Personnel & Administration





# Annual Comprehensive Financial Report

*For the Fiscal Year  
Ended June 30, 2021*



**Jared S. Polis**  
Governor

Department of Personnel  
& Administration

Kara Veitch  
Executive Director

Robert Jaros  
State Controller



**COLORADO**

Office of the State Controller

Department of Personnel & Administration

## **REPORT LAYOUT**

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

<https://www.colorado.gov/osc/acfr>

**STATE OF COLORADO**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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# Introductory Section

## Annual Comprehensive Financial Report

*For the Fiscal Year Ended June 30, 2021*



**COLORADO**  
Office of the State Controller  
Department of Personnel & Administration





## COLORADO

### Office of the State Controller

Department of Personnel & Administration

1525 Sherman St., 5<sup>th</sup> Floor

Denver, CO 80203

January 31, 2022

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

I am pleased to submit the State of Colorado's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The State Controller is responsible for the contents of the ACFR and is committed to sound financial management and governmental accountability.

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

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

Except as noted below, the ACFR is prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). The schedules comparing budgeted to actual activity, included in the sections titled Required Supplementary Information and Supplementary Information, are not presented in accordance with GAAP. Rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year; for additional information, see the Cash Basis Accounting description in the Management's Discussion and Analysis (MD&A).

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

The State Auditor performed an independent audit of the Basic Financial Statements contained in the ACFR and has issued an unmodified opinion. The State Auditor also applied limited audit procedures to the Required Supplementary Information (including the MD&A), but does not issue an opinion on such information. For more information regarding the audit and its results, see the Independent Auditor's Report.

### ***PROFILE OF THE STATE GOVERNMENT***

The government of the State of Colorado serves an estimated 5,831,200 Coloradans. The services provided are categorized by function of government on the government-wide *Statement of Activities*. The largest of these are social assistance, unemployment insurance, higher education, and education.



## Structure of the State Government

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

The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives. The Legislature's otherwise plenary power is checked by the requirement for the Governor to sign its legislation and by specific limitations placed in the State Constitution by voters. The most significant fiscal limitation is the restriction related to issuing debt, raising taxes, and changing existing spending limits. From a fiscal perspective, the Joint Budget Committee of the Legislature, because of its preparation of the annual budget and supplemental appropriations bills, heavily influences the financial decision making of the Legislature. The Committee is bipartisan with members drawn from each of the houses of the Legislature.

The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The Branch includes the Supreme Court, Court of Appeals, district courts, and county courts, served by more than 300 justices and judges in 22 judicial districts across the State. There are also seven water courts, one in each of the State's major river basins.

## Component Units

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

- Discretely Presented Component Units:
  - Colorado Water Resources and Power Development Authority
  - University of Colorado Foundation
  - Other Component Units (nonmajor):
    - Denver Metropolitan Major League Baseball Stadium District
    - Statewide Internet Portal Authority
- Blended Component Units:
  - University Physicians Inc., d/b/a CU Medicine
  - University of Colorado Property Construction, Inc.
- Fiduciary Component Units:
  - University of Colorado Health and Welfare Trust
  - State Board for Community Colleges and Occupational Education Employee Benefit Trust Fund

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

## Budgetary Process and Budgetary Control

The State's budget consists of appropriated and non-appropriated General-funded, Federally-funded, and Cash-funded amounts. The appropriated portion of the budget is determined annually by the General Assembly, which

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

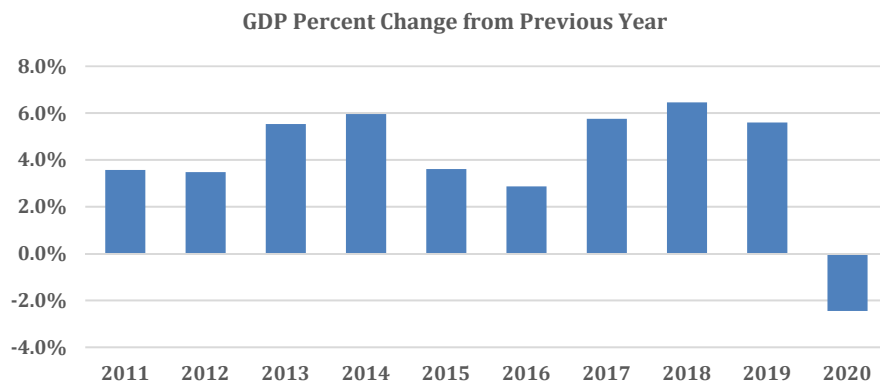
For the most part, operating appropriations lapse at the end of the fiscal year unless the State Controller approves, at a line item level, an appropriation roll-forward based on express legislative direction or extenuating circumstances. The State Controller may also, at a line item level and with the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

**ECONOMIC CONDITION AND OUTLOOK**

**The State’s Economy**

The State’s General Fund general-purpose revenues reflect the overall condition of the State economy, which showed continued growth in Fiscal Year 2021; General Fund revenues increased by \$995 million (7.7 percent) from the prior year. Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 41,800 from 2016 to 2020. Net migration has decreased over this period from approximately 53,300 (2016) to 27,300 (2020) and is projected to be 32,800 and 39,500 for 2021 and 2022, respectively.

The chart below shows the percent change from the previous year of Colorado’s gross domestic product (GDP) for the years 2011 to 2020. According to the Bureau of Economic Analysis (BEA), the GDP consistently increased from 2011 to 2019 and decreased in 2020. Colorado’s 2020 GDP of \$382,584 million is a 2.5 percent decrease from 2019 and a 48.1 percent increase from 2010.



Colorado has a diverse economy, comprising many industries. The table below shows GDP in current dollars and percent of total GDP by industry for the years 2010 and 2020. Over this ten-year period, the industry profile of the State’s GDP has been stable, with growth across most industries.

Industry	2010		2020	
	2010 GDP (millions)	Percent of Total	2020 GDP (millions)	Percent of Total
Finance, Insurance, Real Estate, Rental, and Leasing	\$ 51,752.8	20.1 %	\$ 82,606.4	21.5 %
Professional and Business Services	36,405.5	14.1	58,775.7	15.4
Government and Government Enterprises	33,935.4	13.1	48,716.5	12.7
Educational Services, Health Care, and Social Assistance	18,463.2	7.1	27,194.1	7.1
Manufacturing	20,206.5	7.8	24,861.8	6.5
Information	18,827.9	7.3	24,335.8	6.4
Wholesale Trade	14,108.9	5.5	22,317.6	5.8
Construction	9,343.7	3.6	23,544.8	6.2
Retail Trade	13,986.1	5.4	21,584.4	5.6
Arts, Entertainment, Recreation, Accommodation, and Food Services	10,751.8	4.2	15,495.9	4.1
Transportation and Warehousing	6,889.0	2.7	9,894.4	2.6
Mining, Quarrying, and Oil and Gas Extraction	11,681.6	4.5	7,345.4	1.9
Other Services (Except Government and Government Enterprises)	5,806.1	2.2	8,402.3	2.2
Utilities	3,881.5	1.5	4,784.1	1.3
Agriculture, Forestry, Fishing and Hunting	2,260.2	0.9	2,725.5	0.7
All Industry Total	<u>\$ 258,300.2</u>		<u>\$ 382,584.7</u>	

The Governor's Office of State Planning and Budgeting (OSPB) described Colorado's economic outlook in the December 2021 *Colorado Economic and Fiscal Outlook*:

*“Colorado’s economic recovery from the pandemic-induced recession continues at a rapid pace, although greater headwinds exist. The GDP forecast has been revised down due to supply chain disruptions having a larger than previously anticipated drag on the economy. As consumer spending has remained firm in light of strong household finances, the demand for goods has continued to outpace supply. Such an imbalance has caused continued higher than previously expected inflation, with impacts from supply chains likely to resolve themselves in 2022 and more than offset growing shelter inflation. Finally, the labor market continues to remain tight as the labor force participation rate is likely to remain slightly below the pre-pandemic level as some workers have left the labor force indefinitely due to structural changes caused by the pandemic.”*

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

- Unemployment will average 6.0 percent for 2021 compared with 7.3 and 2.7 percent in 2020 and 2019, respectively, and is expected to decrease to 4.5 percent in 2022.
- Wages and salary income will increase by 8.9 percent in 2021, followed by increases of 5.2 percent and 4.8 percent in 2022 and 2023, respectively.
- Total personal income will increase by 7.3 percent in 2021 and will increase by 3.1 percent and 5.0 percent in 2022 and 2023, respectively.
- Inflation, measured by the Denver-Aurora-Lakewood Consumer Price Index, will be 3.5 percent in 2021 and 3.3 percent in 2022.

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

Senate Bill 21-226, enacted in 2021, modified the State's General Fund reserve requirement. In response to the COVID-19 emergency, 2020 legislation reduced the reserve from 7.25 percent of the amount appropriated from the General Fund to 2.86 percent in Fiscal Years 2021 and 2022, with the reserve restored to 7.25 percent for subsequent years. The 2021 bill increased the reserve to 13.4 percent for Fiscal Year 2022 and 15.0 percent for years thereafter.

Senate Bill 18-200, enacted in 2018, addressed underfunded obligations of the Public Employees' Retirement Association (PERA), which provides benefits to state and local government retirees. The bill makes several provisions,



including a recurring direct distribution to PERA of \$225 million per year and changes to contribution rates, formulas for calculating benefits, and cost of living allowances. With the enactment of this bill, a reduction to the State's unfunded pension liabilities is expected in future years until the liability is fully funded by 2048.

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

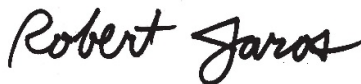
The State anticipates receiving about \$4.6 billion for programs in the American Rescue Plan. These include the State and Local Fiscal Recovery Fund (\$3.8 billion), Emergency Rental Assistance 1 and 2 (\$457 million), Homeowners Assistance Fund (\$175 million), and the Capital Projects Fund (\$179 million). State departments also received funds directly from federal agencies for existing and new programs as part of the Consolidated Appropriations Act of 2021. These funds are in addition to the \$2.9 billion received by the State last year from four separate bills, the largest was CARES Act (\$1.7 billion).

#### ***AWARDS AND ACKNOWLEDGEMENTS***

The 2020 report was ineligible to receive the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting, because the Auditor's report included a disclaimer of opinion. Until the 2020 report, the State had received this award for 23 consecutive years. We are evaluating whether the Fiscal Year 2021 ACFR meets the Certificate of Achievement Program's requirements, and intend to submit it to the GFOA to determine its eligibility for another certificate.

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

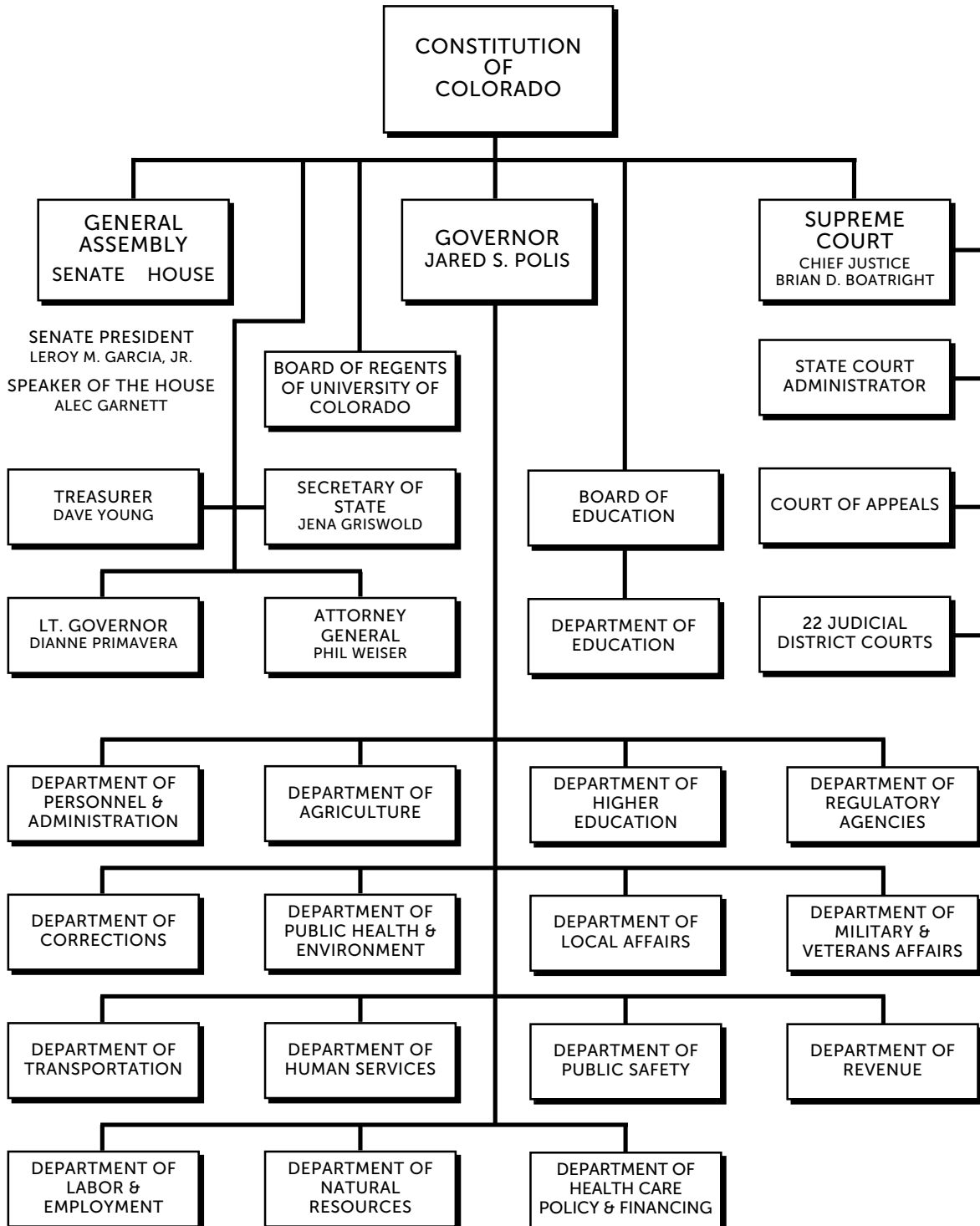
Sincerely,



Robert Jaros, CPA, MBA, JD  
Colorado State Controller



# PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS







# Financial Section

## Annual Comprehensive Financial Report

*For the Fiscal Year Ended June 30, 2021*



**COLORADO**  
Office of the State Controller  
Department of Personnel & Administration



OFFICE OF THE STATE AUDITOR  
KERRI L. HUNTER, CPA • STATE AUDITOR

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**Independent Auditor's Report**

Members of the Legislative Audit Committee:

**Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (State), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents. We have also audited the State's budgetary comparison schedule—general fund component (schedule) and the related note for the Fiscal Year Ended June 30, 2021, as displayed in the State's required supplementary information section.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

<b>Percentage of Financial Statements Audited by Other Auditors</b>			
<b>Opinion Unit/Department</b>	<b>Assets and Deferred Outflows of Resources</b>	<b>Net Position</b>	<b>Revenues, Additions, and Other Financing Sources</b>
<b>Aggregate Discretely Presented Component Units</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Fund Statements—Proprietary Funds</b>			
<b>Higher Education Institutions—Major Fund</b>			
<b>CU Medicine</b>	<b>6%</b>	<b>18%</b>	<b>16%</b>
<b>Government-wide statements</b>			
<b>Business-type activities</b>			
<b>CU Medicine</b>	<b>4%</b>	<b>16%</b>	<b>6%</b>

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units and for CU Medicine, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, the Statewide Internet Portal Authority, and the Denver Metropolitan Major League Baseball Stadium District, which are discretely presented component units, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule.

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

## 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, as well as the budgetary comparison schedule—general fund component of the State of Colorado, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Reporting Entity*

As discussed in Note 15 to the financial statements, the State has determined that HLC@Metro no longer meets the basis for inclusion as a discretely presented component unit and has removed it from its reporting entity in the Fiscal Year 2021 Annual Comprehensive Financial Report. This change was based on a reevaluation of financial significance, and is in accordance with other guidance. Our opinion is not modified with respect to this matter.

### *New Accounting Standards*

As discussed in Note 1 to the financial statements, the State has adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### *Subsequently Discovered Facts*

As discussed in Note 1 to the financial statements, subsequent to our audit report dated January 31, 2022, on which we expressed an unmodified opinion, the State revised the Statement of Net Position Government-Wide Financial Statements and the Statement of Net Position Proprietary Statements. We performed procedures over these revisions, and our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

Location of Required Supplementary Information	
Required Supplementary Information	Pages
Management's Discussion and Analysis	27-43
Budgetary Comparison Schedules	178-183
Notes to Required Supplementary Information	184-196
Budgetary Comparison Schedule-General Fund Component	197-199



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

### **Other Information**

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

The combining nonmajor fund financial statements and schedule of TABOR revenue and computations are the responsibility of management, and were derived from, and relate 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, based on the procedures performed as described above, the combining nonmajor fund financial statements 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 January 31, 2022, 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

January 31, 2022, except for Note 1, Statement of Net Position Government-Wide Financial Statements, and Statement of Net Position Proprietary Statements, as to which the date is March 8, 2022.





## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## INTRODUCTION

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

### OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

#### **Government-wide Financial Statements**

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

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

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the State is financially accountable. More information on the discretely presented component units can be found in Note 1.

## Fund-Level Financial Statements

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

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

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

## **Notes to Basic Financial Statements**

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

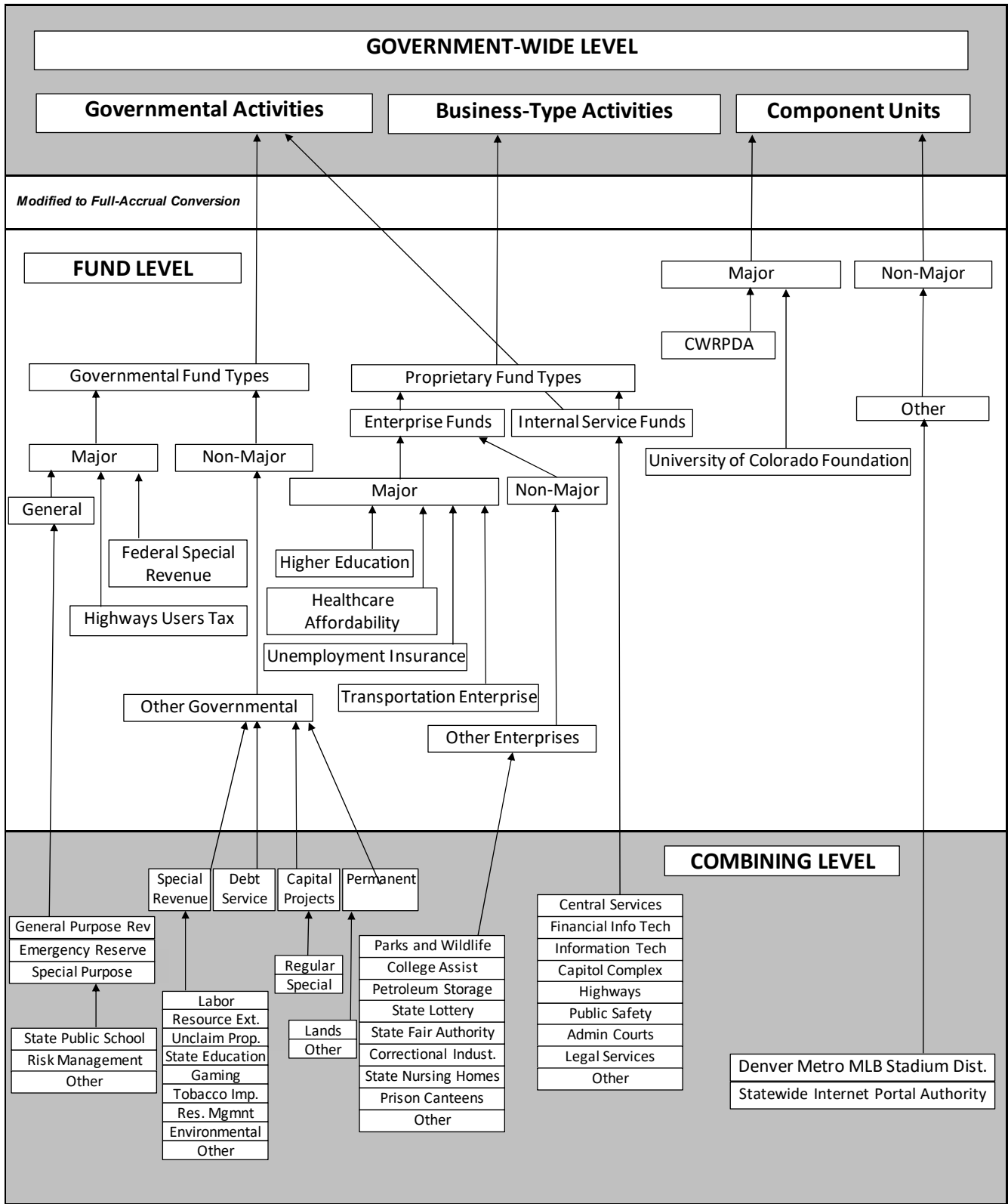
### **Required Supplementary Information (RSI)**

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

The chart on the following page is a graphic representation of how the State's funds are organized in this report.

Fiduciary Funds are not shown in the chart because those resources are not available to support the State's programs.





## OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

### Government-wide Statement of Net Position

The amount of total net position is one measure of the health of the State's finances, and serves as a useful indicator of a government's financial position over time. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State. The State's combined total net position of both governmental and business-type activities increased 33.3 percent from the prior fiscal year by \$4,798.3 million from \$14,404.7 million in Fiscal Year 2020, to \$19,203.0 million in Fiscal Year 2021.

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

	(Amounts in Thousands)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Noncapital Assets	\$ 21,370,185	\$ 13,972,724	\$ 11,221,670	\$ 8,520,942	\$ 32,591,855	\$ 22,493,666
Capital Assets	13,069,596	12,596,264	11,237,496	10,821,616	24,307,092	23,417,880
<b>Total Assets</b>	<b>34,439,781</b>	<b>26,568,988</b>	<b>22,459,166</b>	<b>19,342,558</b>	<b>56,898,947</b>	<b>45,911,546</b>
Deferred Outflow of Resources	1,654,895	2,348,666	909,377	534,121	2,564,272	2,882,787
Current Liabilities	8,577,270	4,375,162	6,042,231	2,896,932	14,619,501	7,272,094
Noncurrent Liabilities	10,634,717	11,547,135	10,214,212	9,947,640	20,848,929	21,494,775
<b>Total Liabilities</b>	<b>19,211,987</b>	<b>15,922,297</b>	<b>16,256,443</b>	<b>12,844,572</b>	<b>35,468,430</b>	<b>28,766,869</b>
Deferred Inflow of Resources	3,531,733	3,704,384	1,260,085	1,918,407	4,791,818	5,622,791
Net Investment in Capital Assets	9,172,398	9,648,006	5,973,861	5,923,907	15,146,259	15,571,913
Restricted	4,095,294	3,900,541	1,025,132	1,301,620	5,120,426	5,202,161
Unrestricted	83,264	(4,257,574)	(1,146,978)	(2,111,827)	(1,063,714)	(6,369,401)
<b>Total Net Position</b>	<b>\$ 13,350,956</b>	<b>\$ 9,290,973</b>	<b>\$ 5,852,015</b>	<b>\$ 5,113,700</b>	<b>\$ 19,202,971</b>	<b>\$ 14,404,673</b>

The State's net investment in capital assets of \$15,146.3 million for the total primary government (governmental and business-type activities combined), represents a decrease of \$425.7 thousand (2.7 percent) 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 reduced by their related liabilities account for another \$5,120.4 million of total primary government net position. Restricted assets decreased by \$81.7 million relative to the prior fiscal year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, may not be available for use by any of the State's programs. Examples of restrictions on the use of net position include the constitutionally-mandated TABOR reserve, State Education Fund, Highway Users Tax Fund, and resources pledged to debt service.

The unrestricted component of net position for the total primary government is a deficit \$1,063.7 million for the fiscal year ended June 30, 2021, which represents a \$5,305.7 million decline in the deficit from the prior fiscal year. The change is primarily due to increases in unrestricted cash and pooled cash of \$9,342.8 million, and a decrease of the net pension liability during the fiscal year of \$2,130.7 million related to the State Division Trust Fund, administered by the Public Employees Retirement Association (PERA). These increases were offset by an increase in unearned revenue liability of \$2,873.7 million from the prior fiscal year. The State's current liabilities reported on the Statement of Net Position increased by \$7,347.4 million over the prior fiscal year, primarily due to advances received from the federal government related to COVID-19 congressional response packages. Noncurrent liabilities only decreased by \$645.8 million from the prior fiscal year. Certain noncurrent liabilities, such as bonds

and certificates of participation payable, have related capital assets while the net pension liability does not.

### **Governmental Activities:**

Overall, total assets and deferred outflows of resources of the State's governmental activities exceeded total liabilities and deferred inflows of resources by \$13,351.0 million, an increase in net position of \$4,060.0 million as compared to the prior fiscal year amount of \$9,291.0 million. Total cash (restricted and unrestricted) balances increased by \$9,374.4 million, due to the increase in federal funding related to COVID-19. Taxes Receivable, net of refunds payable and Other Receivables, net, decreased by \$1,156.7 million due to the increase in tax collections during the fiscal year; this resulted from the Calendar Year 2020 income tax filing deadline extension. Total investments (restricted and unrestricted) decreased by \$1,294.1 million due to market value decreases. Capital assets, net of accumulated depreciation, increased by \$473.3 million due to various capital projects throughout the State.

Governmental activities' liabilities for notes, bonds, and Certificates of Participation at June 30, 2021 were \$3,992.2 million as compared to the prior fiscal year amount of \$2,908.2 million – an increase of \$1,084.1 million. These liabilities represent 29.1 percent of unrestricted financial assets (cash, receivables, and investments), and 11.6 percent of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, state buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and state highway revenues, state building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues.

Governmental activities had a decrease of \$475.6 million in net investment in capital assets attributable primarily to the \$500.0 million issuance of State of Colorado Rural Colorado Certificates of Participation, Series 2021A, \$98.0 million in Building Excellent Schools Today Series 2020R refunding Certificates of Participation, and \$64.3 million in Higher Education Lease Purchase Financing Program Certificates of Participation. Restricted net position for governmental activities increased by \$194.8 million, and unrestricted net position increased \$4,340.9 million from the prior year primarily due to the decrease in net pension liability and the increase in federal funding due to the COVID-19 pandemic. The change from deficit unrestricted net position in Fiscal Year 2020 to a positive net position in Fiscal Year 2021 is primarily a result of a large influx of federal grants related to the COVID-19 pandemic. The unrestricted net position for governmental activities is expected to return to a deficit in the near term absent additional federal COVID-19 or economic recovery funding. The reason for deficit unrestricted net position in prior years was the initial recognition of the net pension liability in Fiscal Year 2015, and the recognition of the net OPEB liability in Fiscal Year 2018. The pension liability is expected to decrease over time due to additional funding measures put in place by Senate Bill 18-200.

### **Business-Type Activities:**

Overall, total assets and deferred outflows of resources of the State's business-type activities exceeded total liabilities and deferred inflows of resources by \$5,852.0 million – an increase in net position of \$738.3 million as compared to the prior year amount of \$5,113.7 million. The increase is primarily attributed to decreases in deferred inflows of resources of approximately \$658.3 million, resulting from Changes of Assumptions or Other Inputs of the PERA State Division Trust Fund. A summary of these changes can be found in Note RSI-2 – the State's Defined Benefit Pension Plan. The decrease was also due to the effect of the portion of the annual \$225.0 million distribution attributable to the State Division Trust Fund on July 1, 2020, directly made to PERA as required by Senate Bill 18-200.

The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total \$5,187.0 million, as compared to the prior fiscal year amount of \$5,096.8 million – an increase of \$90.2 million. The majority of the outstanding revenue bonds is related to Higher Education Institutions and is invested in capital assets that generate a future revenue stream to service the related debt. The Division of Unemployment Insurance also has bonds outstanding secured by future employer insurance premiums.

Of the total net position for business-type activities, \$5,973.9 million was for investment in capital assets, \$1,025.1 million is restricted for the purposes of various funds, and an unrestricted deficit of approximately \$1,147.0 million.

The change from deficit unrestricted net position in Fiscal Year 2020 to a positive net position in Fiscal Year 2021 is primarily a result of a large influx of federal grants related to the COVID-19 pandemic. The unrestricted net position for business-type activities is expected to return to a deficit in the near term absent additional federal COVID-19 or economic recovery funding. The reason for deficit unrestricted net position in prior years was the initial recognition of the net pension liability in Fiscal Year 2015, and the recognition of the net OPEB liability in Fiscal Year 2018. The pension liability is expected to decrease over time due to additional funding measures put in place by Senate Bill 18-200. Business-type activities reported a \$2,024.4 million decrease in net investment in capital assets, primarily due to debt issuances related to the construction of capital asset projects by institutions of higher education and the Other Enterprise Funds. Restricted net position for business-type activities reported a decrease of \$276.5 million from the prior fiscal year.

## Government-wide Statement of Activities

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	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
<b>Program Revenues:</b>						
Charges for Services	\$ 1,734,952	\$ 1,555,332	\$ 7,931,639	\$ 8,039,922	\$ 9,666,591	\$ 9,595,254
Operating Grants and Contributions	10,495,268	7,788,096	14,095,372	8,374,699	24,590,640	16,162,795
Capital Grants and Contributions	544,553	617,224	183,207	123,273	727,760	740,497
<b>General Revenues:</b>						
Taxes	14,288,822	13,271,516	9,238	-	14,298,060	13,271,516
Restricted Taxes	1,468,337	1,271,553	-	-	1,468,337	1,271,553
Unrestricted Investment Earnings	50,931	37,599	-	-	50,931	37,599
Other General Revenues	104,683	95,460	-	-	104,683	95,460
<b>Total Revenues</b>	<b>28,687,546</b>	<b>24,636,780</b>	<b>22,219,456</b>	<b>16,537,894</b>	<b>50,907,002</b>	<b>41,174,674</b>
<b>Expenses:</b>						
General Government	822,391	1,214,677	-	-	822,391	1,214,677
Business, Community, and Consumer Affairs	1,368,553	713,827	-	-	1,368,553	713,827
Education	6,656,947	6,875,955	-	-	6,656,947	6,875,955
Health and Rehabilitation	1,660,656	836,872	-	-	1,660,656	836,872
Justice	1,691,958	1,734,902	-	-	1,691,958	1,734,902
Natural Resources	99,053	90,248	-	-	99,053	90,248
Social Assistance	10,157,280	9,430,179	-	-	10,157,280	9,430,179
Transportation	1,632,855	1,884,872	-	-	1,632,855	1,884,872
Payments to School Districts	-	-	-	-	-	-
Payments to Other Governments	-	-	-	-	-	-
Interest on Debt	135,332	103,339	-	-	135,332	103,339
Higher Education Institutions	-	-	6,900,408	6,993,311	6,900,408	6,993,311
Healthcare Affordability	-	-	4,198,822	3,515,207	4,198,822	3,515,207
Unemployment Insurance	-	-	9,465,001	4,765,139	9,465,001	4,765,139
Lottery	-	-	691,944	582,721	691,944	582,721
Parks and Wildlife	-	-	170,705	166,782	170,705	166,782
College Assist	-	-	79,637	201,200	79,637	201,200
Other Business-Type Activities	-	-	523,885	128,606	523,885	128,606
<b>Total Expenses</b>	<b>24,225,025</b>	<b>22,884,871</b>	<b>22,030,402</b>	<b>16,352,966</b>	<b>46,255,427</b>	<b>39,237,837</b>
<b>Excess (Deficiency) Before Contributions, Transfers, and Other Items</b>	<b>4,462,521</b>	<b>1,751,909</b>	<b>189,054</b>	<b>184,928</b>	<b>4,651,575</b>	<b>1,936,837</b>
<b>Contributions, Transfers, and Other Items:</b>						
Transfers (Out) In	(366,962)	(395,097)	366,962	395,097	-	-
Permanent Fund Additions	141,128	580	5	-	141,133	580
Internal Capital Contributions	-	-	-	-	-	-
Special Item	-	-	-	-	-	-
<b>Total Contributions, Transfers, and Other Items</b>	<b>(225,834)</b>	<b>(394,517)</b>	<b>366,967</b>	<b>395,097</b>	<b>141,133</b>	<b>580</b>
<b>Total Changes in Net Position</b>	<b>4,236,687</b>	<b>1,357,392</b>	<b>556,021</b>	<b>580,025</b>	<b>4,792,708</b>	<b>1,937,417</b>
<b>Net Position - Beginning</b>	<b>9,290,973</b>	<b>7,913,886</b>	<b>5,113,700</b>	<b>4,520,020</b>	<b>14,404,673</b>	<b>12,433,906</b>
Prior Period Adjustment (See Note 15A)	(196,566)	19,695	181,689	11,209	(14,877)	30,904
Accounting Changes	19,862	-	605	2,446	20,467	2,446
<b>Net Position - Ending</b>	<b>\$ 13,350,956</b>	<b>\$ 9,290,973</b>	<b>\$ 5,852,015</b>	<b>\$ 5,113,700</b>	<b>\$ 19,202,971</b>	<b>\$ 14,404,673</b>

For governmental activities, total revenues and permanent fund additions exceeded total expenses and transfers-out, which resulted in an increase to net position of \$4,236.7 million. Program revenues for governmental activities increased by \$2,814.1 million (28.3 percent), and General revenues for governmental activities increased by \$1,236.6 million (8.4 percent). Overall, total revenues for governmental activities increased 16.4 percent. Total expenses for governmental activities increased by \$1,340.2 million (5.9 percent) from the prior fiscal year, due to increases in business, community, and consumer affairs; health and rehabilitation; and social assistance activities. These increases were offset by spending decreases primarily in general government, education, justice, and transportation activities.

Business-type activities' total revenues, transfers-in, and permanent fund additions exceeded total expenses by \$556.0 million, resulting in an increase in net position. From the prior year to the current year, program revenue from business-type activities increased by \$5,632.3 million (34.3 percent), while expenses also increased by \$5,677.4 million (34.7 percent) due to significant increases in unemployment insurance.

## **FUND-LEVEL FINANCIAL ANALYSIS**

### **Governmental Funds:**

Governmental fund assets exceeded liabilities resulting in total fund balance of \$12,745.5 million as compared to the prior fiscal year amount of \$9,491.7 million. The fund balance for all governmental funds increased from the prior fiscal year by \$3,253.8 million, which is comprised mainly of increases in the General Fund and Other Governmental Funds of \$2,144.1 million and \$1,345.6 million, respectively. The State reported a new fund in Fiscal Year 2020 that remained a major fund in Fiscal Year 2021 – the Federal Special Revenue Fund – resulting from federal economic relief received due to the COVID-19 pandemic. Overall, the increase in fund balance for all governmental funds in total was primarily attributable to increases in individual income tax revenue, and federal grants and contracts during Fiscal Year 2021.

### **General Fund**

The ending total fund balance of the General Fund was \$4,545.7 million. General Fund revenues increased overall by approximately \$2,973.6 million (14.9 percent) over the prior year, and expenditures increased overall by \$1,004.0 million (5.2 percent) relative to the prior fiscal year, resulting in \$2,709.2 million excess of revenues over expenditures for Fiscal Year 2021. Transfers-in totaled \$900.6 million while transfers-out totaled \$1,589.3 million, resulting in a net outflow to other funds of \$688.7 million. Individual and fiduciary income taxes of \$8,305.5 million, sales and use taxes of \$3,920.5 million, and federal grants and contracts of \$8,703.0 million are the largest sources of revenue comprising 91.5 percent of total revenue of \$22,873.1 million. Overall expenditures increased from the prior year due to moderate spending increases across all government functions.

### **General Fund Components & Legal Reserve Requirement**

The General Fund is the focal point in determining the State's ability to maintain or improve its financial position. The General Fund includes all funds that do not have sufficient original source revenue streams to qualify as special revenue funds. As a result, the Public School Fund, Risk Management, and Other Special Purpose Funds reside in the General Fund. These funds are referred to as Special Purpose General Funds, while the General Purpose Revenue Fund comprises general activities of the State. In addition, the State established an Emergency Reserve Fund as a General Fund component in Fiscal Year 2021, with the State transferring \$201.1 million into the fund. Revenues of the General Purpose Revenue Fund consist of two broad categories – general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Other augmenting revenues include federal grants and contracts, user fees and charges, and other specific user taxes. Other augmenting revenues are usually limited as to how they can be spent. Even though significant federal grant revenues are accounted for in the General Purpose Revenue Fund, they have little impact on fund balance because most federal revenues are earned on a reimbursement basis and are closely matched with federal expenditures.

Of the overall fund balance of the General Fund, \$2,962.2 million (65.2 percent) was attributable to the General Purpose Revenue Fund, including non-spendable, committed, and assigned amounts. The General Purpose Revenue Fund

increased by \$1,639.6 million from the prior fiscal year, which was attributable to increases in taxes and federal revenues during Fiscal Year 2021. The General Purpose Revenue Fund experienced a significant increase in unrestricted cash and pooled cash at the end of Fiscal Year 2021 as compared to Fiscal Year 2020 due to the statewide income tax filing deadline extension to July 2020 (FY 2021). This delay resulted in more overall cash collections than in normal fiscal years.

State law requires that the General Purpose Revenue Fund portion of the General Fund maintain a reserve of a percentage of General Purpose Revenue Fund appropriations. Section 24-75-201.1 C.R.S. stipulates the reserve requirement as 2.86 percent of the amount appropriated for expenditure from the general fund for Fiscal Year 2021, and the reserve for Fiscal Year 2021 is \$314.0 million. The reserve amount is included in the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component, presented as Required Supplementary Information in the ACFR. Beginning and ending budgetary fund balance as show on the Schedule are net of the required reserve.

### **Federal Special Revenue Fund**

The Federal Special Revenue Fund was a new major fund for Fiscal Year 2020, and continues to be a major fund in Fiscal Year 2021. The Federal Special Revenue Fund primarily consists of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Fund, and the Coronavirus Emergency Supplemental Fund. The ending total fund balance of the Federal Special Revenue Fund was \$11.4 million. The fund had an ending balance of \$3,771.2 million in cash and restricted cash from federal aid related to COVID-19 and economic recovery relief received late in the fiscal year. Thus, the State expended only a small portion of these funds as of June 30, 2021 – resulting in the State recording \$3,754.3 million in unearned revenue at June 30, 2021. Fund revenues totaled \$909.8 million, and fund expenditures totaled \$919.6 million, resulting in a deficit of expenditures over revenues of \$9.8 million for Fiscal Year 2021. The main sources of revenue for the fund were federal grants and contracts of \$919.9 million (offset by investment losses of \$10.1 million); the main expenditures of the fund consist of outflows related to school districts, cities, and counties of \$410.1 million, \$188.0 million, and \$137.3 million, respectively.

### **Highway Users Tax**

The Highway Users Tax Fund qualified as a new major fund for Fiscal Year 2020, and remained a major fund in Fiscal Year 2021. The ending total fund balance of the Highway Users Tax Fund was \$752.4 million, which represents a 23.1 percent decrease over the prior year fund balance of \$978.4 million. Total cash (restricted and unrestricted) increased by 13.5 percent from \$825.1 million in the prior fiscal year to \$936.7 million in Fiscal Year 2021. Fund revenues totaled \$1,857.6 million, and expenditures totaled \$2,343.2 million, resulting in a deficit of expenditures over revenues of \$485.6 million for Fiscal Year 2021. Fund revenues decreased 6.5 percent, while fund expenditures also decreased 4.2 percent from the prior fiscal year. The main sources of revenue for the fund were federal grants and contracts of \$620.4 million, excise taxes of \$593.6 million, and licenses, permits, and fines of \$417.9 million. The main expenditures of the fund consisted of transportation-related projects and highway maintenance of \$1,479.8 million, and intergovernmental expenditures for cities, counties, and special districts totaling approximately \$569.4 million in Fiscal Year 2021.

### **Proprietary Funds:**

#### **Higher Education Institutions**

The net position of the Higher Education Institutions fund increased from the prior fiscal year by \$2,270.6 million, or 73.1 percent, which generally resulted from increases in cash, investments, and capital asset additions; reductions in overall spending; and increases in nonoperating revenues including investment income, federal grants and contracts, gifts and donations, and transfers-in from other funds. The higher education fund has a variety of revenue and funding sources, which, overall, were relatively consistent with the prior fiscal year. Overall operating revenues decreased by \$481.9 million mainly due to decreases in tuition and fees and sales of goods and services. Overall, total operating revenues decreased by 7.0 percent, while total operating expenses decreased by 0.9 percent. Higher Education Institutions received capital contributions of \$97.8 million and \$114.2 million in Fiscal Years 2021 and 2020, respectively. Transfers-in to the Higher Education Institutions fund totaled \$486.1 million for Fiscal Year 2021, an increase of \$5.1 million compared to

the prior fiscal year amount of \$481.0 million. Transfers-in are primarily from the General Fund for student financial aid and vocational training and from the Capital Projects Fund for capital construction.

### **Healthcare Affordability**

During the Fiscal Year 2017 legislative session, the general assembly passed Senate Bill 17-267 – Sustainability of Rural Colorado – which repealed the existing hospital provider fee program effective for Fiscal Year 2018. Section 17 of the bill created the new Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) within the Department of Healthcare Policy and Financing. The fund qualifies as a major enterprise fund based on the amount of revenues in the fund related to total revenues of all enterprise funds. As of June 30, 2021, net position was \$67.9 million, a decrease of \$7.0 million from the prior fiscal year amount of \$74.9 million. Operating revenues of the fund totaled \$4,191.9 million, which mainly consists of federal grants and contracts of \$3,065.1 million, and fees charged to healthcare providers of \$1,126.8 million. Operating revenues increased 16.9 percent by approximately \$604.6 million from the prior year amount of \$3,587.3 million. Total operating expenses of the fund totaled \$4,198.8 million, which mainly consisted of payments to hospital providers for Medicaid services. Because CHASE is an enterprise for purposes of the Taxpayer's Bill of Rights (TABOR), its revenue does not count against the state fiscal year spending limit (Referendum C cap).

### **Transportation Enterprise**

The Transportation Enterprise met the classification as a major fund for Fiscal Year 2021. The Transportation Enterprise consists of the High Performance Transportation Enterprise and the Statewide Bridge Enterprise at the Colorado Department of Transportation. The ending total fund balance of the Transportation Enterprise was \$1,363.5 million, which was an increase of 0.2 percent from the prior year net position of \$1,360.6 million. Enterprise revenues totaled \$150.1 million; nonoperating expenses totaled \$102.1 million; and operating expenses totaled \$45.2 million; resulting in an excess of revenues over expenses of roughly \$2.8 million for Fiscal Year 2021. The main sources of revenue for the Enterprise were sales of goods and services, and federal grants and contracts; the main expenses of the Enterprise consist of depreciation and amortization of capital assets, and outflows related to salaries and fringe benefits, and operating and travel.

### **Unemployment Insurance**

The Unemployment Enterprise met the classification as a major fund for Fiscal Year 2021, which consists of the Employee Leasing Company Certification, Employee Misclassification Advisory Opinion, Employment and Training Technology, Unemployment Bond Repayment, Unemployment Insurance, and the Unemployment Revenue Funds. The ending total fund balance was for Fiscal Year 2021 was a deficit of \$1,866.7 million, which was a decrease of \$1,865.2 million from the prior year deficit net position of \$1.5 million. Fund revenues totaled \$7,597.0 million, and expenditures totaled \$9,425.3 million, resulting in an excess of expenses over revenues for Fiscal Year 2021. The deficit fund balance primarily resulted from the Department of Labor & Employment borrowing \$1,000.0 million from the federal government for the Unemployment Insurance Trust Fund. Other causes for deficit increases include higher accrued expenses and bad debt expense due to overpayments and suspected fraud related to unemployment benefit claims paid throughout Calendar Year 2020 (crosses FY 2020 and FY 2021). The main sources of revenue for the fund were federal grants and contracts, and insurance premiums; the main expenses of the fund consist of unemployment benefit payments and bad debt expense.

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

Fiscal Year 2021 is the twenty-eighth 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. 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 decision to pay TABOR refunds out of the General Fund is notable 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.

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

During the 2017 legislative session, the general assembly passed Senate Bill 17-267, which revised the TABOR refunding mechanism. Section 24 of the bill specifies that for any state fiscal year commencing on or after July 1, 2017, for which revenue in excess of the reduced Referendum C cap is required to be refunded in accordance with TABOR, reimbursement for the property tax exemptions for qualifying seniors and disabled veterans that is paid by the state to local governments for the property tax year that commenced during the state fiscal year is a refund of such excess state revenue. The exemptions continue to be allowed at current levels and the state continues to reimburse local governments for local property tax revenue lost as a result of the exemptions regardless of whether or not there are excess state revenues. Section 27 prioritizes the new TABOR refund mechanism ahead of the existing temporary state income tax rate reduction refund and sales tax refund mechanisms as the first mechanism used to refund excess state revenue.

For Fiscal Year 2021, State revenues subject to TABOR were \$16,169.8 million, which was \$525.5 million over the ESRC, and \$3,541.7 million over the fiscal year spending limit. Revenue in excess of the ESRC must be refunded to the taxpayers in the next fiscal year including any remaining un-refunded revenues. Therefore, the total amount to be refunded in future fiscal years is \$547.9 million. Absent Referendum C, the State would have been required to refund the amount exceeding the fiscal year spending limit.

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

### **ANALYSIS OF BUDGET VARIANCES**

The following analysis is based on the Budgetary Comparison Schedule for the General Fund – General Purpose Revenue Component included in Required Supplementary Information section of the ACFR. 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 \$10.0 million and the reasons for the change.

- Department of Education – the Department had a net increase of \$80.3 million in appropriations resulting from the Connecting Colorado Students Grant under House Bill 20B-1001, as well as adjustments to school funding for the 2021 budget year under Senate Bill 21-053.



- Office of the Governor – the Office had a net increase of \$49.7 million in appropriations resulting from various supplemental and special bills related to economic recovery programs including small business accelerated growth and COVID grants, general fund transfers to creative industries, and the Colorado Economic Development Fund.
- Department of Health Care Policy and Financing – the Department had a net decrease of \$241.8 million in appropriations mainly due to decreases in medical services premiums related to supplemental Senate Bills 21-043 and 21-205.
- Department of Human Services – the Department had a net increase of \$49.5 million in appropriations from the passage of House Bills 20B-1002 and 1003, related to COVID-19 emergency relief grant programs for the child-care sector, and the food pantry assistance grant program.
- Department of Local Affairs – the Department had a net increase of \$28.3 million in appropriations for COVID-19 relief for certain small businesses such as restaurants, bars, movie theatres, and fitness and recreational sports centers.
- Department of Personnel and Administration – the Department had a net increase of \$14.2 million in appropriations for a general fund transfer to the Workers, Employers, and Workforce Centers Cash Fund related to Senate Bill 21-232.
- Department of Revenue – the Department had a net increase of \$244.8 million in appropriations primarily comprised of statutory retail marijuana retail sales tax transfers to the Older Coloradans program, the State Public School Fund, and the Marijuana Tax Cash Fund under Sections 39 and 28.8 C.R.S., as well as Senate Bill 17-267, and House Bills 20-1367, 21-1002, and 20-1360.
- Department of Treasury – the Department had a net increase of \$369.7 million in appropriations for the transfer to the PERA payment cash fund under Senate Bill 21-228.

#### Differences Between Final Budget and Actual Expenditures

In total, state departments reported general-funded appropriations reversions of \$5.0 million for Merit Pay and \$3.5 million for Legislative reversions. In addition, departments reverted \$206.0 million to the General Fund for expenditures under the legally adopted final budget. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least \$10.0 million of General Fund reversions, and the related budget line item:

- Department of Corrections – the Department reverted \$17.1 million, primarily comprised of payments to in-state private prisons, Hepatitis C treatment costs, purchases of pharmaceuticals, and the transitional work program.
- Judicial Department – the Department reverted \$19.4 million, primarily consisting of conflict of interest contracts, mandated costs, and court-appointed counsel.
- Department of Local Affairs – the Department reverted \$16.6 million primarily related to COVID-19 small business relief grants.
- Department of Public Safety – the Department reverted nearly \$10.0 million primarily related to community corrections placements.
- Department of Health Care Policy and Financing – the Department reverted \$110.6 million across multiple programs and budget lines, with the largest consisting of general professional services and special projects, indirect cost assessments, third-party liability cost avoidance contracts, medical and long-term care services for Medicaid eligible individuals, behavioral health capitation payments, and regional centers.

## CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's net investment in capital assets at June 30, 2021 was \$13,071.9 million, as compared to \$15,571.9 million in Fiscal Year 2020. Included in this amount were \$19,105.8 million of net depreciable capital assets after reduction of \$15,161.0 million for accumulated depreciation. Non-depreciable capital assets totaled \$5,201.3 million – including land, construction in progress, non-depreciable infrastructure and other capital assets. The State added a net \$889.2 million and \$900.4 million of capital assets in Fiscal Years 2021 and 2020, respectively. Of the Fiscal Year 2021 additions, \$473.3 million was recorded in governmental activities, and \$415.9 million was recorded in business-type activities. General-purpose revenues funded \$24.0 million of capital and controlled maintenance expenditures during Fiscal Year 2021, 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, 2021 and 2020, were as follows (see Note 5 for additional detail):

(Amounts in Thousands)	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
	Capital Assets Not Being Depreciated					
Land and Land Improvements	\$ 147,728	\$ 126,974	\$ 740,663	\$ 673,831	\$ 888,391	\$ 800,805
Collections	11,213	11,213	34,150	33,148	45,363	44,361
Other Capital Assets	6,659	12,347	23,938	15,461	30,597	27,808
Construction in Progress	1,779,298	1,548,817	1,298,034	1,529,265	3,077,332	3,078,082
Infrastructure	1,061,015	1,040,339	98,564	98,042	1,159,579	1,138,381
Total Capital Assets Not Being Depreciated	3,005,913	2,739,690	2,195,349	2,349,747	5,201,262	5,089,437
Capital Assets Being Depreciated						
Buildings and Related Improvements	3,696,321	3,481,275	12,178,850	11,419,985	15,875,171	14,901,260
Software	599,234	578,925	252,314	240,501	851,548	819,426
Vehicles and Equipment	1,079,607	1,029,805	1,391,735	1,331,747	2,471,342	2,361,552
Library Books, Collections, and Other Capital Assets	42,815	42,638	652,121	632,974	694,936	675,612
Infrastructure	12,886,486	12,502,697	1,487,372	1,308,495	14,373,858	13,811,192
Total Capital Assets Being Depreciated	18,304,463	17,635,340	15,962,392	14,933,702	34,266,855	32,569,042
Accumulated Depreciation	(8,240,780)	(7,778,766)	(6,920,245)	(6,461,833)	(15,161,025)	(14,240,599)
Total	<u>\$ 13,069,596</u>	<u>\$ 12,596,264</u>	<u>\$ 11,237,496</u>	<u>\$ 10,821,616</u>	<u>\$ 24,307,092</u>	<u>\$ 23,417,880</u>

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

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

		Fiscal Year 2021							
(Amounts in Thousands)		Capital Leases		Revenue Bonds		Certificates of Participation		Total	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	\$	117,998	\$ 9,797	\$ -	\$ -	\$ 3,899,901	\$ 1,720,489	\$ 4,017,899	\$ 1,730,286
Business-Type Activities	\$	74,224	\$ 38,322	\$ 4,485,403	\$ 2,135,452	\$ 114,607	\$ 16,495	\$ 4,674,234	\$ 2,190,269
Total	\$	192,222	\$ 48,119	\$ 4,485,403	\$ 2,135,452	\$ 4,014,508	\$ 1,736,984	\$ 8,692,133	\$ 3,920,555

		Fiscal Year 2020							
(Amounts in Thousands)		Capital Leases		Revenue Bonds		Certificates of Participation		Total	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	\$	119,822	\$ 11,980	\$ -	\$ -	\$ 2,809,799	\$ 1,370,077	\$ 2,929,621	\$ 1,382,057
Business-Type Activities	\$	35,645	\$ 4,066	\$ 4,413,396	\$ 2,360,678	\$ 374,877	\$ 103,359	\$ 4,823,918	\$ 2,468,103
Total	\$	155,467	\$ 16,046	\$ 4,413,396	\$ 2,360,678	\$ 3,184,676	\$ 1,473,436	\$ 7,753,539	\$ 3,850,160

For Fiscal Year 2021, the total principal amount of capital leases, revenue bonds, and COPs increased by 12.1 percent from the prior year to \$8,692.1 million. The Fiscal Year 2021 increase is attributable primarily to the \$500.0 million issuance of State of Colorado Rural Colorado Certificates of Participation, Series 2021A, \$100.2 million in Building Excellent Schools Today Series 2020R refunding Certificates of Participation, and \$64.3 million in Higher Education Lease Purchase Financing Program Certificates of Participation.

### **CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS**

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

Coronavirus Disease 2019 (COVID-19) Pandemic – COVID-19 was first identified in December 2019 in Wuhan, China. The outbreak was declared a Public Health Emergency of International Concern in January 2020, and a pandemic in March 2020. The pandemic resulted in a nationwide recession that began in March 2020, which significantly reduced Colorado’s economic activity the last quarter of Fiscal Year 2020. Despite significant improvement from the depths of the recession in April 2020 and outperforming the national average, Colorado’s economic activity remains below normal levels. In response to the pandemic, the U.S. Congress passed the \$1.9 trillion American Rescue Plan Act of 2021 to assist with economic and health effects of the COVID-19 pandemic and the ongoing recession. The Act provided funding for the following:

- \$656.2 billion of direct financial assistance in the form of stimulus checks to individuals, unemployment benefit claims, tax credits, the paycheck protection program, and the economic injury disaster loan program.
- \$362.0 billion for state and local fiscal recovery funds, Coronavirus capital projects, and local assistance for public lands and tribal consistency funds.
- \$211.6 billion for education and childcare including education stabilization, the childcare and development block grant program, childcare entitlements to states, the low-income home energy assistance program, childcare stabilization, and Head Start.
- Tens of billions of dollars for other programs including health care and transportation.

The U.S. economy slowly continues to improve with the federal aid. Personal incomes and savings rates are above pre-pandemic levels due to these major federal relief measures. While higher incomes and savings are positive signs for the economic outlook, the recovery remains highly dependent on the course of the virus including mutations, and the effectiveness of vaccines developed to mitigate the spread of COVID and lessen symptoms.

Public Employees Retirement Association Reforms – The State Legislature passed – and the governor signed – Senate Bill 18-200 during the 2018 legislative session. Senate Bill 18-200 contained a package of reforms designed to reduce

the overall risk profile of the PERA retirement plan and improve its funded status. The bill makes several changes to the pension plan including:

- Increasing contribution rates from employers and employees.
- Allocates \$225.0 million annually beginning in Fiscal Year 2019 to PERA to reduce the unfunded liability for the State, Judicial, Schools, and Denver Public Schools Divisions Trust Funds. To assist with reductions in spending for Fiscal Year 2021 resulting from the economic impact of COVID-19, the state legislature eliminated the \$225.0 million direct distribution for Fiscal Year 2021. The State resumed the direct distribution in Fiscal Year 2022.
- Modifies retirement benefits, including reducing the annual increase for all current and future retirees.
- Raises the retirement age for new employees; and (5) establishes an automatic adjustment provision designed to keep PERA on a path to full funding in 30 years by 2048.

Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from TABOR and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2011 and by inflation thereafter. This requirement will have an increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.

Cash Basis Accounting – For Fiscal Year 2003 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June pay-dates until July (after Fiscal Year-end). During Fiscal Year 2008, similar treatment was extended to certain Old Age Pension, Medicare, and Children’s Basic Health Plan expenditures. In Fiscal Year 2009, this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay-date shift beginning in Fiscal Year 2011 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2012, legislation was passed to eliminate the deferral of June pay dates until July for employees paid on a biweekly basis beginning in Fiscal Year 2013. 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 \$2,243.5 million at June 30, 2021. Due to the COVID-19 pandemic, the State delayed its statewide income tax filing deadline extension to July 2020 (FY 2021), resulting in less overall cash collections in Fiscal Year 2020, and a significant increase in tax collections in Fiscal Year 2021. From the prior fiscal year to the current fiscal year, General Purpose Revenue Fund taxes receivable decreased by \$1,028.3 million to \$1,835.8 million; tax refunds payable increased by \$202.6 million to \$1,144.7 million; and deferred inflows related to the tax receivables not expected to be collected within the next year decreased by \$26.8 million down to \$154.6 million. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State’s economy experiences another downturn, tax receivables will likely decline (due to declining personal income) and tax refunds will likely increase (due to higher than required estimated tax and withholding payments) putting additional pressure on the fund balance of the General Purpose Revenue Fund. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

Debt Service – Various state departments, agencies, and institutions of higher education have outstanding notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment or to construct facilities or infrastructure. The average debt service related to governmental activities over the next five years is \$272.5 million for these agreements and debt instruments. The majority of the revenue streams to cover the debt service payments comprise general governmental resources; there is no general obligation associated with these debt instruments; and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets. The average debt service related to business-type activities including revenue bonds over the next five years is \$341.5 million.



## **BASIC FINANCIAL STATEMENTS**

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**STATEMENT OF NET POSITION  
JUNE 30, 2021**

PRIMARY GOVERNMENT

(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 11,224,875	\$ 2,662,612	\$ 13,887,487	\$ 282,804
Restricted Cash and Pooled Cash	122,403	-	122,403	70,190
Investments	-	2,261,237	2,261,237	-
Taxes Receivable, net	1,739,314	125,713	1,865,027	-
Contributions Receivable, net	-	-	-	49,548
Other Receivables, net	663,412	827,965	1,491,377	85,006
Due From Other Governments	1,638,331	2,550,350	4,188,681	1,102
Internal Balances	48,657	(48,657)	-	-
Due From Component Units	-	24,857	24,857	-
Inventories	269,427	50,406	319,833	-
Prepays, Advances and Deposits	122,230	37,461	159,691	201
Other Current Assets	-	-	-	4,136
<b>Total Current Assets</b>	<b>15,828,649</b>	<b>8,491,944</b>	<b>24,320,593</b>	<b>492,987</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	2,971,240	353,797	3,325,037	39,546
Restricted Investments	1,324,475	131,547	1,456,022	63,514
Restricted Receivables	323,485	20,808	344,293	876
Investments	158,487	2,109,357	2,267,844	2,909,333
Contributions Receivable, net	-	-	-	90,734
Other Long-Term Assets	763,849	114,217	878,066	943,012
Depreciable Capital Assets and Infrastructure, net	10,063,683	9,042,147	19,105,830	153,034
Land and Nondepreciable Capital Assets	3,005,913	2,195,349	5,201,262	20,747
<b>Total Noncurrent Assets</b>	<b>18,611,132</b>	<b>13,967,222</b>	<b>32,578,354</b>	<b>4,220,796</b>
<b>TOTAL ASSETS</b>	<b>34,439,781</b>	<b>22,459,166</b>	<b>56,898,947</b>	<b>4,713,783</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>1,654,895</b>	<b>909,377</b>	<b>2,564,272</b>	<b>2,327</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Tax Refunds Payable	1,154,442	-	1,154,442	-
Accounts Payable and Accrued Liabilities	1,756,431	955,419	2,711,850	25,839
TABOR Refund Liability (Note 2B)	547,872	-	547,872	-
Due To Other Governments	379,075	1,693,848	2,072,923	2,320
Due To Component Units	-	240	240	-
Unearned Revenue	4,513,916	421,714	4,935,630	4,019
Accrued Compensated Absences	15,331	31,583	46,914	-
Claims and Judgments Payable	45,135	819	45,954	-
Leases Payable	30,538	5,984	36,522	-
Notes, Bonds, and COPs Payable	110,285	104,291	214,576	33,095
Other Postemployment Benefits	-	14,753	14,753	-
Other Current Liabilities	24,245	2,813,580	2,837,825	225,909
<b>Total Current Liabilities</b>	<b>8,577,270</b>	<b>6,042,231</b>	<b>14,619,501</b>	<b>291,182</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	1,779	25	1,804	608,509
Accrued Compensated Absences	214,870	433,340	648,210	-
Claims and Judgments Payable	141,339	52,714	194,053	-
Capital Lease Payable	87,460	68,240	155,700	-
Derivative Instrument Liability	-	25,602	25,602	-
Notes, Bonds, and COPs Payable	3,881,964	5,082,716	8,964,680	321,755
Due to Component Units	-	1,458	1,458	-
Net Pension Liability	5,874,655	3,370,077	9,244,732	3,855
Other Postemployment Benefits	203,724	1,041,543	1,245,267	214
Other Long-Term Liabilities	228,926	138,497	367,423	43,586
<b>Total Noncurrent Liabilities</b>	<b>10,634,717</b>	<b>10,214,212</b>	<b>20,848,929</b>	<b>977,919</b>
<b>TOTAL LIABILITIES</b>	<b>19,211,987</b>	<b>16,256,443</b>	<b>35,468,430</b>	<b>1,269,101</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>3,531,733</b>	<b>1,260,085</b>	<b>4,791,818</b>	<b>2,728</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:	9,172,398	5,973,861	15,146,259	173,882
<b>Restricted for:</b>				
Construction and Highway Maintenance	671,488	-	671,488	-
Education	724,957	632,230	1,357,187	-
Debt Service	148,326	36,346	184,672	-
Emergencies	244,000	-	244,000	-
<b>Permanent Funds and Endowments:</b>				
Expendable	8,886	232,960	241,846	1,556,479
Nonexpendable	1,457,856	89,102	1,546,958	757,703
Other Purposes	839,781	34,494	874,275	793,890
Unrestricted	83,264	(1,146,978)	(1,063,714)	162,327
<b>TOTAL NET POSITION</b>	<b>\$ 13,350,956</b>	<b>\$ 5,852,015</b>	<b>\$ 19,202,971</b>	<b>\$ 3,444,281</b>

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>					
Governmental Activities:					
General Government Business, Community, and Consumer Affairs	\$ 844,684	\$ (22,293)	\$ 165,563	\$ 338,299	\$ 4,304
Education	1,365,893	2,660	206,723	753,421	105
Health and Rehabilitation	6,655,207	1,740	43,333	1,192,639	-
Justice	1,659,004	1,652	132,533	1,212,884	-
Natural Resources	1,687,335	4,623	368,886	281,017	567
Social Assistance	98,594	459	147,299	116,000	-
Transportation	10,152,228	5,052	178,318	6,439,949	70
Interest on Debt	1,631,403	1,452	492,297	161,059	539,507
	135,332	-	-	-	-
<b>Total Governmental Activities</b>	<b>24,229,680</b>	<b>(4,655)</b>	<b>1,734,952</b>	<b>10,495,268</b>	<b>544,553</b>
Business-Type Activities:					
Higher Education	6,897,028	3,380	4,770,763	3,697,584	99,178
Healthcare Affordability	4,198,822	-	1,126,847	3,067,758	-
Unemployment Insurance	9,465,001	-	603,154	6,997,205	-
Lottery	691,482	462	795,845	(135)	-
Parks and Wildlife	170,360	345	236,497	50,153	84,029
College Assist	79,517	120	-	74,638	-
Other Business-Type Activities	523,537	348	398,533	208,169	-
<b>Total Business-Type Activities</b>	<b>22,025,747</b>	<b>4,655</b>	<b>7,931,639</b>	<b>14,095,372</b>	<b>183,207</b>
<b>Total Primary Government</b>	<b>46,255,427</b>	<b>-</b>	<b>9,666,591</b>	<b>24,590,640</b>	<b>727,760</b>
<b>Total Component Units</b>	<b>\$ 296,454</b>	<b>\$ -</b>	<b>\$ 80,386</b>	<b>\$ 757,629</b>	<b>\$ 35,841</b>

General Revenues:
Taxes:
Sales and Use Taxes
Excise Taxes
Individual Income Tax
Corporate Income Tax
Other Taxes
Restricted for Education:
Individual Income Tax
Corporate and Fiduciary Income Tax
Restricted for Transportation:
Fuel Taxes
Other Taxes
Unrestricted Investment Earnings (Losses)
Other General Revenues
(Transfers-Out) / Transfers-In
Permanent Fund Additions
Total General Revenues, Special Items, and Transfers
Change in Net Position
Net Position - Fiscal Year Beginning
Prior Period Adjustment (See Note 15A)
Accounting Changes (See Note 15B)
Net Position - Fiscal Year Beginning (Restated)
Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (314,225)	\$ -	\$ (314,225)	
(408,304)	-	(408,304)	
(5,420,975)	-	(5,420,975)	
(315,239)	-	(315,239)	
(1,041,488)	-	(1,041,488)	
164,246	-	164,246	
(3,538,943)	-	(3,538,943)	
(439,992)	-	(439,992)	
(135,332)	-	(135,332)	
<u>(11,450,252)</u>	<u>-</u>	<u>(11,450,252)</u>	
-	1,667,117	1,667,117	
-	(4,217)	(4,217)	
-	(1,864,642)	(1,864,642)	
-	103,766	103,766	
-	199,974	199,974	
-	(4,999)	(4,999)	
-	82,817	82,817	
<u>-</u>	<u>179,816</u>	<u>179,816</u>	
<u>(11,450,252)</u>	<u>179,816</u>	<u>(11,270,436)</u>	
			<u>577,402</u>
3,954,846	-	3,954,846	-
433,686	-	433,686	-
8,292,319	-	8,292,319	-
1,090,209	-	1,090,209	-
517,762	9,238	527,000	-
804,935	-	804,935	-
69,665	-	69,665	-
593,646	-	593,646	-
91	-	91	-
50,931	-	50,931	79,356
104,683	-	104,683	-
(366,962)	366,962	-	-
141,128	5	141,133	-
<u>15,686,939</u>	<u>376,205</u>	<u>16,063,144</u>	<u>79,356</u>
4,236,687	556,021	4,792,708	656,758
9,290,973	5,113,700	14,404,673	2,787,056
(196,566)	181,689	(14,877)	-
19,862	605	20,467	467
<u>9,114,269</u>	<u>5,295,994</u>	<u>14,410,263</u>	<u>2,787,523</u>
<u>\$ 13,350,956</u>	<u>\$ 5,852,015</u>	<u>\$ 19,202,971</u>	<u>\$ 3,444,281</u>

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	GENERAL	FEDERAL SPECIAL REVENUE FUND	HIGHWAY USERS TAX	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS:</b>					
Cash and Pooled Cash	\$ 2,716,157	\$ 3,771,198	\$ 55,291	\$ 4,584,308	\$ 11,126,954
Taxes Receivable, net	1,835,824	-	1,843	61,821	1,899,488
Other Receivables, net	478,692	-	1,097	164,748	644,537
Due From Other Governments	1,560,917	12,680	-	64,653	1,638,250
Due From Other Funds	99,965	-	13,715	56,730	170,410
Inventories	70,664	-	17,908	179,646	268,218
Prepays, Advances and Deposits	50,814	814	6,077	46,242	103,947
Restricted Assets:					
Restricted Cash and Pooled Cash	1,214,940	-	881,407	997,088	3,093,435
Restricted Investments	-	-	-	1,324,475	1,324,475
Restricted Receivables	437	-	323,048	-	323,485
Investments	12,909	-	-	145,578	158,487
Other Long-Term Assets	25,496	-	31,495	545,825	602,816
<b>TOTAL ASSETS</b>	<b>\$ 8,066,815</b>	<b>\$ 3,784,692</b>	<b>\$ 1,331,881</b>	<b>\$ 8,171,114</b>	<b>\$ 21,354,502</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
	-	-	-	4,847	4,847
<b>LIABILITIES:</b>					
Tax Refunds Payable	\$ 1,144,749	\$ -	\$ -	\$ 9,693	\$ 1,154,442
Accounts Payable and Accrued Liabilities	1,185,056	15,096	297,884	216,181	1,714,217
TABOR Refund Liability (Note 2B)	547,872	-	-	-	547,872
Due To Other Governments	290,670	3,894	38,997	45,514	379,075
Due To Other Funds	42,009	-	500	79,080	121,589
Unearned Revenue	143,449	3,754,329	237,606	377,263	4,512,647
Claims and Judgments Payable	728	-	174	89	991
Other Current Liabilities	9,850	-	42	10,370	20,262
Deposits Held In Custody For Others	387	-	1,174	218	1,779
<b>TOTAL LIABILITIES</b>	<b>3,364,770</b>	<b>3,773,319</b>	<b>576,377</b>	<b>738,408</b>	<b>8,452,874</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
	156,381	-	3,062	1,526	160,969
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories	70,664	-	17,908	179,646	268,218
Permanent Fund Principal	-	-	-	1,438,292	1,438,292
Prepays	50,702	-	6,077	46,242	103,021
Restricted	609,779	11,373	679,412	986,088	2,286,652
Committed	1,287,662	-	49,045	4,785,759	6,122,466
Assigned	123,036	-	-	-	123,036
Unassigned	2,403,821	-	-	-	2,403,821
<b>TOTAL FUND BALANCES</b>	<b>4,545,664</b>	<b>11,373</b>	<b>752,442</b>	<b>7,436,027</b>	<b>12,745,506</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,066,815</b>	<b>\$ 3,784,692</b>	<b>\$ 1,331,881</b>	<b>\$ 8,175,961</b>	<b>\$ 21,359,349</b>

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

**GOVERNMENTAL FUNDS BALANCE SHEET  
RECONCILED TO  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	(A)	(B)	(C)	(D)	(E)	(F)		
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
<b>ASSETS:</b>								
<b>Current Assets:</b>								
Cash and Pooled Cash	\$ 11,126,954	\$ 98,108	\$ -	\$ -	\$ -	\$ (187)	\$ -	\$ 11,224,875
Restricted Cash and Pooled Cash	122,403	-	-	-	-	-	-	122,403
Taxes Receivable, net	1,899,488	-	-	-	-	(160,174)	-	1,739,314
Other Receivables, net	644,537	1,365	-	-	-	17,390	120	663,412
Due From Other Governments	1,638,250	81	-	-	-	-	-	1,638,331
Due From Other Funds	170,410	884	-	-	-	-	(171,294)	-
Internal Balances	-	-	-	-	-	-	48,657	48,657
Inventories	268,218	1,209	-	-	-	-	-	269,427
Prepays, Advances and Deposits	103,947	7,243	-	-	-	11,040	-	122,230
<b>Total Current Assets</b>	<b>15,974,207</b>	<b>108,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131,931)</b>	<b>(122,517)</b>	<b>15,828,649</b>
<b>Noncurrent Assets:</b>								
Restricted Cash and Pooled Cash	2,971,032	208	-	-	-	-	-	2,971,240
Restricted Investments	1,324,475	-	-	-	-	-	-	1,324,475
Restricted Receivables	323,485	-	-	-	-	-	-	323,485
Investments	158,487	-	-	-	-	-	-	158,487
Other Long-Term Assets	602,816	-	-	-	-	161,033	-	763,849
Depreciable Capital Assets and Infrastructure, net	-	118,815	9,944,868	-	-	-	-	10,063,683
Land and Nondepreciable Capital Assets	-	377	3,005,536	-	-	-	-	3,005,913
<b>Total Noncurrent Assets</b>	<b>5,380,295</b>	<b>119,400</b>	<b>12,950,404</b>	<b>-</b>	<b>-</b>	<b>161,033</b>	<b>-</b>	<b>18,611,132</b>
<b>TOTAL ASSETS</b>	<b>21,354,502</b>	<b>228,290</b>	<b>12,950,404</b>	<b>-</b>	<b>-</b>	<b>29,102</b>	<b>(122,517)</b>	<b>34,439,781</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>4,847</b>	<b>50,657</b>	<b>-</b>	<b>1,599,391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,654,895</b>
<b>LIABILITIES:</b>								
<b>Current Liabilities:</b>								
Tax Refunds Payable	1,154,442	-	-	-	-	-	-	1,154,442
Accounts Payable and Accrued Liabilities	1,714,217	36,140	-	6,065	-	-	9	1,756,431
TABOR Refund Liability (Note 2B)	547,872	-	-	-	-	-	-	547,872
Due To Other Governments	379,075	-	-	-	-	-	-	379,075
Due To Other Funds	121,589	937	-	-	-	-	(122,526)	-
Unearned Revenue	4,512,647	1,338	-	-	-	(69)	-	4,513,916
Compensated Absences Payable	-	1,296	-	-	-	14,035	-	15,331
Claims and Judgments Payable	991	-	-	-	38,143	6,001	-	45,135
Leases Payable	-	25,033	-	5,505	-	-	-	30,538
Notes, Bonds, and COPs Payable	-	-	-	110,285	-	-	-	110,285
Other Current Liabilities	20,262	382	-	-	-	3,601	-	24,245
<b>Total Current Liabilities</b>	<b>8,451,095</b>	<b>65,126</b>	<b>-</b>	<b>121,855</b>	<b>38,143</b>	<b>23,568</b>	<b>(122,517)</b>	<b>8,577,270</b>
<b>Noncurrent Liabilities:</b>								
Deposits Held In Custody For Others	1,779	-	-	-	-	-	-	1,779
Accrued Compensated Absences	-	14,368	-	-	-	200,502	-	214,870
Claims and Judgments Payable	-	-	-	-	93,591	47,748	-	141,339
Capital Lease Payable	-	69,341	-	18,119	-	-	-	87,460
Notes, Bonds, and COPs Payable	-	1	-	3,881,963	-	-	-	3,881,964
Net Pension Liability	-	338,048	-	-	-	5,536,607	-	5,874,655
Other Postemployment Benefits	-	11,130	-	-	-	192,594	-	203,724
Other Long-Term Liabilities	-	-	-	-	-	228,926	-	228,926
<b>Total Noncurrent Liabilities</b>	<b>1,779</b>	<b>432,888</b>	<b>-</b>	<b>3,900,082</b>	<b>93,591</b>	<b>6,206,377</b>	<b>-</b>	<b>10,634,717</b>
<b>TOTAL LIABILITIES</b>	<b>8,452,874</b>	<b>498,014</b>	<b>-</b>	<b>4,021,937</b>	<b>131,734</b>	<b>6,229,945</b>	<b>(122,517)</b>	<b>19,211,987</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>160,969</b>	<b>79,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,291,352</b>	<b>-</b>	<b>3,531,733</b>
<b>NET POSITION:</b>								
Net investment in Capital Assets:	-	24,820	12,950,404	(3,802,826)	-	-	-	9,172,398
<b>Restricted for:</b>								
Construction and Highway Maintenance	671,488	-	-	-	-	-	-	671,488
Education	724,957	-	-	-	-	-	-	724,957
Debt Service	148,326	-	-	-	-	-	-	148,326
Emergencies	244,000	-	-	-	-	-	-	244,000
<b>Permanent Funds and Endowments:</b>								
Expendable	8,886	-	-	-	-	-	-	8,886
Nonexpendable	1,457,856	-	-	-	-	-	-	1,457,856
Other Purposes	839,781	-	-	-	-	-	-	839,781
Unrestricted	8,650,212	(323,299)	-	1,380,280	(131,734)	(9,492,195)	-	83,264
<b>TOTAL NET POSITION</b>	<b>\$ 12,745,506</b>	<b>\$ (298,479)</b>	<b>\$ 12,950,404</b>	<b>\$ (2,422,546)</b>	<b>\$ (131,734)</b>	<b>\$ (9,492,195)</b>	<b>\$ -</b>	<b>\$ 13,350,956</b>

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

**Differences Between the *Balance Sheet – Governmental Funds* and  
Governmental Activities on the Government-Wide *Statement of Net 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, 2021**

(DOLLARS IN THOUSANDS)					
	GENERAL	FEDERAL SPECIAL REVENUE FUND	HIGHWAY USERS TAX	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 8,305,502	\$ -	\$ -	\$ 808,701	\$ 9,114,203
Corporate Income	1,117,777	-	-	65,899	1,183,676
Sales and Use	3,920,489	-	-	30,226	3,950,715
Excise	112,551	-	593,646	320,456	1,026,653
Other Taxes	336,628	-	91	225,497	562,216
Licenses, Permits, and Fines	36,173	-	417,864	440,745	894,782
Charges for Goods and Services	70,069	-	141,884	173,814	385,767
Rents	2	-	2,717	128,734	131,453
Investment Income (Loss)	87,847	(10,094)	(10,899)	97,633	164,487
Federal Grants and Contracts	8,702,952	919,870	620,418	604,168	10,847,408
Additions to Permanent Funds	-	-	-	141,128	141,128
Unclaimed Property Receipts	-	-	-	143,231	143,231
Other	183,157	-	91,849	55,142	330,148
<b>TOTAL REVENUES</b>	<b>22,873,147</b>	<b>909,776</b>	<b>1,857,570</b>	<b>3,235,374</b>	<b>28,875,867</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	278,846	34,605	74,727	79,016	467,194
Business, Community, and Consumer Affairs	320,357	39,378	-	520,225	879,960
Education	475,967	819	-	221,208	697,994
Health and Rehabilitation	1,363,876	58,995	12,277	188,114	1,623,262
Justice	1,660,185	23,467	142,777	281,522	2,107,951
Natural Resources	41,049	-	-	79,437	120,486
Social Assistance	8,832,971	8,358	-	230,253	9,071,582
Transportation	-	-	1,479,831	5,600	1,485,431
Capital Outlay	207,566	17	60,866	124,360	392,809
Intergovernmental:					
Cities	100,597	188,016	202,529	95,436	586,578
Counties	1,699,047	137,268	230,494	138,054	2,204,863
School Districts	4,960,306	410,057	-	662,697	6,033,060
Special Districts	75,794	18,572	136,385	26,485	257,236
Federal	-	-	16	2,281	2,297
Other	62,651	10	3,251	67,517	133,429
Debt Service	84,724	-	-	144,412	229,136
<b>TOTAL EXPENDITURES</b>	<b>20,163,936</b>	<b>919,562</b>	<b>2,343,153</b>	<b>2,866,617</b>	<b>26,293,268</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,709,211</b>	<b>(9,786)</b>	<b>(485,583)</b>	<b>368,757</b>	<b>2,582,599</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers-In	900,632	-	354,626	1,481,511	2,736,769
Transfers-Out	(1,589,302)	(191)	(95,287)	(1,410,723)	(3,095,503)
Face Amount of Bond/COP Issuance	98,030	-	-	676,838	774,868
Bond/COP Premium/Discount	19,932	-	-	158,117	178,049
Issuance of Capital Leases	502	-	-	4,206	4,708
Sale of Capital Assets	836	-	-	5,775	6,611
Insurance Recoveries	4,229	-	91	1,540	5,860
Bond/COP Refunding Issuance	-	-	19,050	-	19,050
Bond/COP Premium Refunding Proceeds	-	-	3,742	-	3,742
Bond/COP Refunding Payments	-	-	(22,550)	-	(22,550)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(565,141)</b>	<b>(191)</b>	<b>259,672</b>	<b>917,264</b>	<b>611,604</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,144,070</b>	<b>(9,977)</b>	<b>(225,911)</b>	<b>1,286,021</b>	<b>3,194,203</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>2,401,594</b>	<b>21,350</b>	<b>978,353</b>	<b>6,090,424</b>	<b>9,491,721</b>
Prior Period Adjustment (See Note 15A)	-	-	-	39,720	39,720
Accounting Changes (See Note 15B)	-	-	-	19,862	19,862
<b>FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED)</b>	<b>2,401,594</b>	<b>21,350</b>	<b>978,353</b>	<b>6,150,006</b>	<b>9,551,303</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 4,545,664</b>	<b>\$ 11,373</b>	<b>\$ 752,442</b>	<b>\$ 7,436,027</b>	<b>\$ 12,745,506</b>

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

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES RECONCILED TO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	(A)	(B)	(C)	(D)		
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
<b>REVENUES:</b>						
Taxes:						
Individual and Fiduciary Income	\$ 9,114,203	\$ -	\$ -	\$ -	\$ (13,183)	\$ 9,101,020
Corporate Income	1,183,676	-	-	-	(27,568)	1,156,108
Sales and Use	3,950,715	-	-	-	4,131	3,954,846
Excise	1,026,653	-	-	-	679	1,027,332
Other Taxes	562,216	-	-	-	(4,209)	558,007
Licenses, Permits, and Fines	894,782	-	-	-	30	894,812
Charges for Goods and Services	385,767	-	-	-	-	385,767
Rents	131,453	-	-	-	-	131,453
Investment Income (Loss)	164,487	(1,150)	-	-	1	163,338
Federal Grants and Contracts	10,847,408	-	-	-	-	10,847,408
Additions to Permanent Funds	141,128	-	-	-	-	141,128
Unclaimed Property Receipts	143,231	-	-	-	-	143,231
Other	330,148	-	-	-	1,862	332,010
<b>TOTAL REVENUES</b>	<b>28,875,867</b>	<b>(1,150)</b>	<b>-</b>	<b>-</b>	<b>(38,257)</b>	<b>28,836,460</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	467,194	(20,492)	28,969	-	(99,668)	376,003
Business, Community, and Consumer Affairs	879,960	(18,333)	2,358	-	(133,284)	730,701
Education	697,994	(1,137)	41,131	-	(46,727)	691,261
Health and Rehabilitation	1,623,262	(5,385)	592	-	(180,250)	1,438,219
Justice	2,107,951	(14,688)	51,755	-	(689,236)	1,455,782
Natural Resources	120,486	(7,367)	475	-	(33,552)	80,042
Social Assistance	9,071,582	(33,650)	18,326	-	(67,825)	8,988,433
Transportation	1,485,431	(6,841)	321,637	-	(165,004)	1,635,223
Capital Outlay	392,809	-	(872,294)	-	-	(479,485)
Intergovernmental:						
Cities	586,578	-	-	-	-	586,578
Counties	2,204,863	-	-	-	-	2,204,863
School Districts	6,033,060	-	-	-	78,020	6,111,080
Special Districts	257,236	-	-	-	1,743	258,979
Federal	2,297	-	-	-	-	2,297
Other	133,429	-	-	-	-	133,429
Debt Service	229,136	2,385	-	(97,338)	-	134,183
<b>TOTAL EXPENDITURES</b>	<b>26,293,268</b>	<b>(105,508)</b>	<b>(407,051)</b>	<b>(97,338)</b>	<b>(1,335,783)</b>	<b>24,347,588</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,582,599</b>	<b>104,358</b>	<b>407,051</b>	<b>97,338</b>	<b>1,297,526</b>	<b>4,488,872</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers-In	2,736,769	1,759	-	-	-	2,738,528
Transfers-Out	(3,095,503)	(7,808)	-	-	-	(3,103,311)
Face Amount of Bond/COP Issuance	774,868	-	-	(774,867)	-	1
Bond/COP Premium/Discount	178,049	-	-	(162,723)	-	15,326
Issuance of Capital Leases	4,708	-	-	(4,536)	-	172
Sale of Capital Assets	6,611	-	80,901	-	-	87,512
Insurance Recoveries	5,860	-	-	-	-	5,860
Bond/COP Refunding Issuance	19,050	-	-	(19,050)	-	-
Bond/COP Premium Refunding Proceeds	3,742	-	-	(3,742)	-	-
Bond/COP Refunding Payments	(22,550)	-	-	22,792	-	242
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>611,604</b>	<b>(6,049)</b>	<b>80,901</b>	<b>(942,126)</b>	<b>-</b>	<b>(255,670)</b>
Internal Service Fund Charges to BTAs	-	3,485	-	-	-	3,485
<b>NET CHANGE FOR THE YEAR</b>	<b>3,194,203</b>	<b>101,794</b>	<b>487,952</b>	<b>(844,788)</b>	<b>1,297,526</b>	<b>4,236,687</b>
Prior Period Adjustment (See Note 15A)	39,720	-	-	-	(236,286)	(196,566)
Accounting Changes (See Note 15B)	19,862	-	-	-	-	19,862
<b>TOTAL CHANGE FOR THE CURRENT YEAR</b>	<b>\$ 3,253,785</b>	<b>\$ 101,794</b>	<b>\$ 487,952</b>	<b>\$ (844,788)</b>	<b>\$ 1,061,240</b>	<b>\$ 4,059,983</b>

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



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

- (A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Fund makes a profit, the other funds of the State have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the State have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor 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, 2021**

(DOLLARS IN THOUSANDS)	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS						GOVERNMENTAL ACTIVITIES
	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	TRANSPORTATION ENTERPRISE	UNEMPLOYMENT INSURANCE	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
<b>ASSETS:</b>							
<b>Current Assets:</b>							
Cash and Pooled Cash	\$ 1,414,157	\$ 51,702	\$ 317,393	\$ 127,619	\$ 751,741	\$ 2,662,612	\$ 98,108
Investments	2,261,237	-	-	-	-	2,261,237	-
Premiums/Taxes Receivable, net	-	-	-	125,452	261	125,713	-
Student and Other Receivables, net	586,841	101,939	8,409	69,960	60,809	827,958	1,365
Due From Other Governments	291,757	177,999	4,828	1,887,066	188,700	2,550,350	81
Due From Other Funds	48,978	-	-	92	9,261	58,331	884
Due From Component Units	24,857	-	-	-	-	24,857	-
Inventories	37,654	-	-	-	12,752	50,406	1,209
Prepays, Advances and Deposits	28,246	-	340	-	8,875	37,461	7,243
<b>Total Current Assets</b>	<b>4,693,727</b>	<b>331,640</b>	<b>330,970</b>	<b>2,210,189</b>	<b>1,032,399</b>	<b>8,598,925</b>	<b>108,890</b>
<b>Noncurrent Assets:</b>							
Restricted Cash and Pooled Cash	102,983	-	32,787	177,706	40,321	353,797	208
Restricted Investments	131,547	-	-	-	-	131,547	-
Restricted Receivables	-	-	-	-	20,808	20,808	-
Investments	2,109,357	-	-	-	-	2,109,357	-
Other Long-Term Assets	113,320	-	-	-	897	114,217	-
Depreciable Capital Assets and Infrastructure, net	7,384,334	27,879	1,291,055	33,641	305,238	9,042,147	118,815
Land and Nondepreciable Capital Assets	1,196,152	2,542	548,752	-	447,903	2,195,349	377
<b>Total Noncurrent Assets</b>	<b>11,037,693</b>	<b>30,421</b>	<b>1,872,594</b>	<b>211,347</b>	<b>815,167</b>	<b>13,967,222</b>	<b>119,400</b>
<b>TOTAL ASSETS</b>	<b>15,731,420</b>	<b>362,061</b>	<b>2,203,564</b>	<b>2,421,536</b>	<b>1,847,566</b>	<b>22,566,147</b>	<b>228,290</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>							
	831,543	2,442	2,899	813	71,680	909,377	50,657
<b>LIABILITIES:</b>							
<b>Current Liabilities:</b>							
Accounts Payable and Accrued Liabilities	442,072	160,416	23,093	31,040	275,231	931,852	36,140
Due To Other Governments	-	97,034	-	1,577,206	19,608	1,693,848	-
Due To Other Funds	2,747	22,618	-	17,832	58,857	102,054	937
Due To Component Units	240	-	-	-	-	240	-
Unearned Revenue	337,082	-	5,169	20,228	59,235	421,714	1,338
Compensated Absences Payable	30,072	7	-	-	1,504	31,583	1,296
Claims and Judgments Payable	819	-	-	-	-	819	-
Leases Payable	5,656	-	-	-	328	5,984	25,033
Notes, Bonds, and COPs Payable	103,691	-	-	-	600	104,291	-
Other Postemployment Benefits	14,753	-	-	-	-	14,753	-
Other Current Liabilities	118,220	-	-	2,630,685	64,675	2,813,580	382
<b>Total Current Liabilities</b>	<b>1,055,352</b>	<b>280,075</b>	<b>28,262</b>	<b>4,276,991</b>	<b>480,038</b>	<b>6,120,718</b>	<b>65,126</b>
<b>Noncurrent Liabilities:</b>							
Due to Other Funds	-	-	12,950	-	15,544	28,494	-
Deposits Held In Custody For Others	-	-	-	-	25	25	-
Accrued Compensated Absences	417,154	209	91	-	15,886	433,340	14,368
Claims and Judgments Payable	52,714	-	-	-	-	52,714	-
Capital Lease Payable	67,136	-	-	-	1,104	68,240	69,341
Derivative Instrument Liability	25,602	-	-	-	-	25,602	-
Notes, Bonds, and COPs Payable	4,511,357	-	571,303	-	56	5,082,716	1
Due to Component Units	1,458	-	-	-	-	1,458	-
Net Pension Liability	2,965,082	13,058	6,906	7,065	377,966	3,370,077	338,048
Other Postemployment Benefits	1,027,843	435	238	245	12,782	1,041,543	11,130
Other Long-Term Liabilities	44,999	-	93,484	-	14	138,497	-
<b>Total Noncurrent Liabilities</b>	<b>9,113,345</b>	<b>13,702</b>	<b>684,972</b>	<b>7,310</b>	<b>423,377</b>	<b>10,242,706</b>	<b>432,888</b>
<b>TOTAL LIABILITIES</b>	<b>10,168,697</b>	<b>293,777</b>	<b>713,234</b>	<b>4,284,301</b>	<b>903,415</b>	<b>16,363,424</b>	<b>498,014</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>							
	1,018,835	2,817	129,754	4,730	103,949	1,260,085	79,412
<b>NET POSITION:</b>							
Net investment in Capital Assets:	4,166,677	30,421	1,037,187	33,641	705,935	5,973,861	24,820
<b>Restricted for:</b>							
Education	632,230	-	-	-	-	632,230	-
Debt Service	20,699	-	15,647	-	-	36,346	-
<b>Permanent Funds and Endowments:</b>							
Expendable	232,960	-	-	-	-	232,960	-
Nonexpendable	89,102	-	-	-	-	89,102	-
Other Purposes	-	-	-	-	34,494	34,494	-
Unrestricted	233,763	37,488	310,641	(1,900,323)	171,453	(1,146,978)	(323,299)
<b>TOTAL NET POSITION</b>	<b>\$ 5,375,431</b>	<b>\$ 67,909</b>	<b>\$ 1,363,475</b>	<b>\$ (1,866,682)</b>	<b>\$ 911,882</b>	<b>\$ 5,852,015</b>	<b>\$ (298,479)</b>

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

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS						GOVERNMENTAL ACTIVITIES
	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	TRANSPORTATION ENTERPRISE	UNEMPLOYMENT INSURANCE	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>							
Unemployment Insurance Premiums	\$ -	\$ -	\$ -	\$ 602,104	\$ -	\$ 602,104	\$ -
License and Permits	-	-	-	88	181,378	181,466	-
Tuition and Fees	3,020,102	-	-	-	863	3,020,965	-
Scholarship Allowance for Tuition and Fees	(718,136)	-	-	-	-	(718,136)	-
Sales of Goods and Services	2,303,408	1,126,820	138,876	-	995,432	4,564,536	477,171
Scholarship Allowance for Sales of Goods & Services	(31,707)	-	-	-	-	(31,707)	-
Investment Income (Loss)	915	-	-	-	(5,544)	(4,629)	-
Rental Income	17,089	-	-	-	2,218	19,307	15,630
Gifts and Donations	53,827	-	-	-	-	53,827	-
Federal Grants and Contracts	1,310,005	3,065,067	11,251	6,994,675	320,407	11,701,405	-
Intergovernmental Revenue	8,393	-	-	-	38,828	47,221	-
Other	405,141	28	-	128	3,173	408,470	99
<b>TOTAL OPERATING REVENUES</b>	<b>6,369,037</b>	<b>4,191,915</b>	<b>150,127</b>	<b>7,596,995</b>	<b>1,536,755</b>	<b>19,844,829</b>	<b>492,900</b>
<b>OPERATING EXPENSES:</b>							
Salaries and Fringe Benefits	4,426,816	31,177	10,852	(2,434)	110,394	4,576,805	169,870
Operating and Travel	1,652,005	4,142,380	8,674	9,425,527	521,279	15,749,865	184,262
Cost of Goods Sold	103,214	-	-	-	51,379	154,593	1
Depreciation and Amortization	490,709	4,770	25,649	2,195	23,408	546,731	30,965
Intergovernmental Distributions	36,642	20,497	-	-	17,674	74,813	-
Debt Service	-	-	-	-	2,867	2,867	-
Prizes and Awards	345	-	-	-	518,421	518,766	3
<b>TOTAL OPERATING EXPENSES</b>	<b>6,709,731</b>	<b>4,198,824</b>	<b>45,175</b>	<b>9,425,288</b>	<b>1,245,422</b>	<b>21,624,440</b>	<b>385,101</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(340,694)</b>	<b>(6,909)</b>	<b>104,952</b>	<b>(1,828,293)</b>	<b>291,333</b>	<b>(1,779,611)</b>	<b>107,799</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>							
Taxes	-	-	-	-	47,593	47,593	-
Fines and Settlements	529	-	1,418	834	555	3,336	-
Investment Income (Loss)	784,259	2,691	(4,699)	2,530	1,849	786,630	(1,150)
Rental Income	28,637	-	-	-	20,036	48,673	-
Gifts and Donations	300,472	-	-	-	12,448	312,920	-
Intergovernmental Distributions	(14,101)	-	-	-	(71,719)	(85,820)	-
Federal Grants and Contracts	970,211	-	5,169	-	-	975,380	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(1,714)	-	(89,763)	(39,714)	(682)	(131,873)	2,349
Insurance Recoveries from Prior Year Impairments	1,449	-	-	-	(108)	1,341	-
Debt Service	(169,589)	-	(13,658)	-	(181)	(183,428)	(2,372)
Other Expenses	(3,087)	-	(577)	-	(14)	(3,678)	-
Other Revenues	14,265	-	-	-	1,682	15,947	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,911,331</b>	<b>2,691</b>	<b>(102,110)</b>	<b>(36,350)</b>	<b>11,459</b>	<b>1,787,021</b>	<b>(1,173)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>1,570,637</b>	<b>(4,218)</b>	<b>2,842</b>	<b>(1,864,643)</b>	<b>302,792</b>	<b>7,410</b>	<b>106,626</b>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>							
Capital Contributions	97,839	-	-	-	86,178	184,017	1,215
Additions to Permanent Endowments	947	-	-	-	5	952	-
Transfers-In	486,077	-	-	-	54,690	540,767	1,760
Transfers-Out	(53,153)	(16,491)	-	(508)	(106,973)	(177,125)	(7,807)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>531,710</b>	<b>(16,491)</b>	<b>-</b>	<b>(508)</b>	<b>33,900</b>	<b>548,611</b>	<b>(4,832)</b>
<b>CHANGE IN NET POSITION</b>	<b>2,102,347</b>	<b>(20,709)</b>	<b>2,842</b>	<b>(1,865,151)</b>	<b>336,692</b>	<b>556,021</b>	<b>101,794</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>3,104,807</b>	<b>74,947</b>	<b>1,360,633</b>	<b>(1,531)</b>	<b>574,844</b>	<b>5,113,700</b>	<b>(400,273)</b>
Prior Period Adjustments (See Note 15A)	168,003	13,671	-	-	15	181,689	-
Accounting Changes (See Note 15B)	274	-	-	-	331	605	-
<b>NET POSITION - FISCAL YEAR BEGINNING (RESTATED)</b>	<b>3,273,084</b>	<b>88,618</b>	<b>1,360,633</b>	<b>(1,531)</b>	<b>575,190</b>	<b>5,295,994</b>	<b>(400,273)</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 5,375,431</b>	<b>\$ 67,909</b>	<b>\$ 1,363,475</b>	<b>\$ (1,866,682)</b>	<b>\$ 911,882</b>	<b>\$ 5,852,015</b>	<b>\$ (298,479)</b>

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, 2021**

**BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS**

(DOLLARS IN THOUSANDS)

	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	TRANSPORTATION ENTERPRISE
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from:			
Tuition, Fees, and Student Loans	\$ 2,355,210	\$ -	\$ -
Fees for Service	2,172,583	1,120,787	135,018
Receipts for Interfund Services	-	-	8,478
Sales of Products	2,717	-	-
Gifts, Grants, and Contracts	1,557,984	3,205,715	16,435
Loan and Note Repayments	378,815	-	-
Unemployment Insurance Premiums	-	-	-
Income from Property	45,726	-	-
Other Sources	-	26	44,131
Cash Payments to or for:			
Employees	(5,226,989)	(30,498)	(12,076)
Suppliers	(1,394,801)	(4,059,589)	(21,342)
Payments for Interfund Services	-	(134,294)	(2,315)
Sales Commissions and Lottery Prizes	-	(5)	-
Unemployment Benefits	-	-	-
Scholarships	(221,205)	-	-
Others for Student Loans and Loan Losses	(367,540)	-	-
Other Governments	(36,642)	(11,387)	-
Other	(484,316)	(5,238)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,218,458)</b>	<b>85,517</b>	<b>168,329</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-In	395,017	-	-
Transfers-Out	(53,153)	(16,491)	-
Receipt of Deposits Held in Custody	283,071	218	-
Release of Deposits Held in Custody	(296,436)	(218)	-
Gifts and Grants for Other Than Capital Purposes	1,265,415	-	-
Intergovernmental Distributions	(14,101)	-	-
Unclaimed Property Fund Interest	-	-	-
NonCapital Debt Proceeds	2,760	-	48,077
NonCapital Debt Service Payments	-	-	(2,062)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,582,573</b>	<b>(16,491)</b>	<b>46,015</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of Capital Assets	(726,437)	(40,030)	(232,163)
Capital Contributions	249,013	-	-
Capital Gifts, Grants, and Contracts	15,073	-	-
Proceeds from Sale of Capital Assets	8,702	20,015	-
Capital Debt Proceeds	196,366	-	-
Capital Debt Service Payments	(162,190)	-	(10,021)
Capital Lease Payments	(22,399)	-	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(441,872)</b>	<b>(20,015)</b>	<b>(242,184)</b>

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

			<b>GOVERNMENTAL ACTIVITIES</b>
UNEMPLOYMENT INSURANCE	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
\$ -	\$ 849	\$ 2,356,059	\$ -
76,720	310,367	3,815,475	4,799
-	11,499	19,977	471,727
-	840,135	842,852	1,027
6,867,165	157,800	11,805,099	47
-	-	378,815	-
603,154	-	603,154	-
-	22,143	67,869	15,630
2,042,294	330,081	2,416,532	218
(12,843)	(216,473)	(5,498,879)	(262,968)
-	(152,831)	(5,628,563)	(115,531)
-	(8,769)	(145,378)	(62,938)
-	(570,508)	(570,513)	-
(9,559,594)	-	(9,559,594)	-
-	-	(221,205)	-
-	-	(367,540)	-
-	(18,449)	(66,478)	(1)
<u>(48,619)</u>	<u>(332,253)</u>	<u>(870,426)</u>	<u>(6,303)</u>
<u>(31,723)</u>	<u>373,591</u>	<u>(622,744)</u>	<u>45,707</u>
-	56,731	451,748	2,163
(508)	(106,973)	(177,125)	(7,807)
-	1,481	284,770	1,989
-	(1,558)	(298,212)	(2,306)
-	12,448	1,277,863	-
-	(70,895)	(84,996)	-
-	1,671	1,671	-
-	122	50,959	47
-	(122)	(2,184)	(46)
<u>(508)</u>	<u>(107,095)</u>	<u>1,504,494</u>	<u>(5,960)</u>
(35,219)	(152,374)	(1,186,223)	(29,453)
-	-	249,013	-
-	-	15,073	-
35,219	116,316	180,252	30,083
-	-	196,366	-
-	(717)	(172,928)	(59)
-	(378)	(22,777)	(28,119)
<u>-</u>	<u>(37,153)</u>	<u>(741,224)</u>	<u>(27,548)</u>

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

**BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	HEALTHCARE AFFORDABILITY	TRANSPORTATION ENTERPRISE
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	93,149	2,090	4,246
Proceeds from Sale/Maturity of Investments	6,183,762	-	29,806
Purchases of Investments	(6,873,549)	-	(14,110)
Increase(Decrease) from Unrealized Gain(Loss) on Investments	528,426	601	(8,809)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(68,212)</b>	<b>2,691</b>	<b>11,133</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>(145,969)</b>	<b>51,702</b>	<b>(16,707)</b>
<b>CASH AND POOLED CASH , FISCAL YEAR BEGINNING</b>	<b>1,663,109</b>	<b>-</b>	<b>366,887</b>
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 1,517,140</b>	<b>\$ 51,702</b>	<b>\$ 350,180</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>			
<b>PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (340,694)	\$ (6,909)	\$ 104,952
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	490,709	4,770	25,649
Investment/Rental Income and Other Revenue in Operating Income	-	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	52,843	-	6,588
(Gain)/Loss on Disposal of Capital and Other Assets	750	-	-
Compensated Absences Expense	38,056	110	25
Interest and Other Expense in Operating Income	18,323	13,671	(7,560)
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(264,032)	145,926	4,633
(Increase) Decrease in Inventories	3,507	-	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	7,958	-	293
(Increase) Decrease in Pension Deferred Outflow	(164,987)	2,865	106
(Increase) Decrease in OPEB Deferred Outflow	(140,486)	93	(6)
Increase (Decrease) in Accounts Payable	38,104	52,378	(20,718)
Increase (Decrease) in Pension Liability	(193,067)	(125)	301
Increase (Decrease) in OPEB Liability	208,028	(72)	(21)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	(389,235)	(124,707)	55,719
Increase (Decrease) in Pension Deferred Inflow	(550,991)	(2,529)	(1,601)
Increase (Decrease) in OPEB Deferred Inflow	(33,244)	46	(31)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (1,218,458)</b>	<b>\$ 85,517</b>	<b>\$ 168,329</b>
<b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>			
Capital Assets Funded by the Capital Projects Fund	(4,585)	-	-
Capital Assets Acquired by Grants or Donations and Payable Increases	52,450	-	28,380
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	605,936	-	7,443
Loss on Disposal of Capital and Other Assets	115	-	-
Disposal of Capital Assets	(1,965)	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	191,340	-	-
Assumption of Capital Lease Obligation or Mortgage	2,823	-	-
Financed Debt Issuance Costs	92	-	-
Gain on Debt Defeasance	103,390	-	-
Bad Debt Expense	3,897	-	-
Fair Value Change in Derivative Instrument	1,201	-	-
Noncapital Gifts	34,186	-	-
Additions to Investments held by Foundation	3,655	-	-
Federal Receivables (BABS & CARES)	221	-	-
Proceeds from 2019A refunding Bonds	-	-	12
Proceeds from MEXL Loan Refi	-	-	25,000
Payment of MEXL BofA Loan	-	-	(25,000)
Payment of debt fees	-	-	(372)
Transfer of managed lanes	-	-	89,334

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

			<b>GOVERNMENTAL ACTIVITIES</b>
UNEMPLOYMENT INSURANCE	OTHER ENTERPRISES	TOTALS	INTERNAL SERVICE FUNDS
2,544	8,994	111,023	347
-	-	6,213,568	-
-	-	(6,887,659)	-
(14)	(7,593)	512,611	(1,497)
2,530	1,401	(50,457)	(1,150)
(29,701)	230,744	90,069	11,049
335,026	561,318	2,926,340	87,267
<u>\$ 305,325</u>	<u>\$ 792,062</u>	<u>\$ 3,016,409</u>	<u>\$ 98,316</u>

\$ (1,828,293)      291,333      \$ (1,779,611)      \$ 107,799

2,195	23,408	546,731	30,965
-	450	450	-
834	68,152	128,417	12
-	4	754	-
-	362	38,553	1,907
(58,204)	3,875	(29,895)	649
(1,486,115)	(169,823)	(1,769,411)	(62)
-	3,212	6,719	75
-	1,366	9,617	1,627
(77)	(32,146)	(194,239)	(21,463)
13	(759)	(141,145)	(153)
(11,062)	232,569	291,271	(1,001)
(2,760)	(4,918)	(200,569)	(5,849)
(143)	(2,110)	205,682	(1,962)
3,353,569	24,328	2,919,674	(1,358)
(1,745)	(67,551)	(624,417)	(66,721)
65	1,839	(31,325)	1,242
<u>\$ (31,723)</u>	<u>\$ 373,591</u>	<u>\$ (622,744)</u>	<u>\$ 45,707</u>

-	2,041	(2,544)	812
-	10,815	91,645	-
-	-	613,379	-
-	757	872	(2,337)
-	-	(1,965)	-
-	(35)	191,305	-
-	-	2,823	22,609
-	-	92	-
-	-	103,390	-
-	-	3,897	-
-	-	1,201	-
-	-	34,186	-
-	-	3,655	-
-	-	221	-
-	-	12	-
-	-	25,000	-
-	-	(25,000)	-
-	-	(372)	-
-	-	89,334	-

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST		PRIVATE-PURPOSE TRUST		CUSTODIAL		TOTAL	
<b>ASSETS:</b>								
Cash and Pooled Cash	\$	107,374	\$	323,327	\$	504,596	\$	935,297
Investments:								
Government Securities		6,002		4,914		-		10,916
Corporate Bonds		13,135		7,871		-		21,006
Asset Backed Securities		374		-		-		374
Mortgages		6,917		22,983		-		29,900
Mutual Funds		99,523		11,128,070		-		11,227,593
Guaranteed Investment Contracts		-		172,727		-		172,727
Other Investments		29,613		622		-		30,235
Taxes Receivable, net		-		-		225,566		225,566
Other Receivables, net		11,350		27,149		1,297		39,796
Due From Other Governments		-		-		67		67
Due From Other Funds		1,618		15,194		6,764		23,576
Prepays, Advances and Deposits		999		-		19		1,018
Other Long-Term Assets		-		-		8,900		8,900
<b>TOTAL ASSETS</b>		<b>276,905</b>		<b>11,702,857</b>		<b>747,209</b>		<b>12,726,971</b>
<b>LIABILITIES:</b>								
Tax Refunds Payable		-		-		2,132		2,132
Accounts Payable and Accrued Liabilities		25,982		31,793		1,360		59,135
Due To Other Governments		-		-		198		198
Due To Other Funds		-		7		120		127
Unearned Revenue		-		23,724		226		23,950
Claims and Judgments Payable		21,061		-		-		21,061
Other Current Liabilities		31,282		-		210		31,492
Accrued Compensated Absences		215		-		-		215
Other Long-Term Liabilities		-		8,274		539		8,813
<b>TOTAL LIABILITIES</b>		<b>78,540</b>		<b>63,798</b>		<b>4,785</b>		<b>147,123</b>
<b>NET POSITION:</b>								
Restricted for:								
OPEB		129,152		-		-		129,152
Held in Trust for:								
Pension/Benefit Plan Participants		69,213		-		-		69,213
Individuals, Organizations, and Other Entities		-		11,639,059		742,424		12,381,483
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>198,365</b>	<b>\$</b>	<b>11,639,059</b>	<b>\$</b>	<b>742,424</b>	<b>\$</b>	<b>12,579,848</b>

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



**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	PRIVATE-PURPOSE TRUST	CUSTODIAL	TOTAL
<b>ADDITIONS:</b>				
Member Contributions	\$ 80,587	\$ -	\$ -	\$ 80,587
Employer Contributions	407,842	-	-	407,842
Investment Income/(Loss)	12,802	1,879,962	(52,526)	1,840,238
Gifts and Bequests	-	694	-	694
Unclaimed Property Receipts	-	1,255,306	-	1,255,306
Court Awards and Restitution Receipts	-	-	115,242	115,242
Collections of Sales Tax for Other Governments	-	-	2,501,371	2,501,371
Other Additions	289,772	2,771	92,983	385,526
Transfers-In	1,247	-	-	1,247
<b>TOTAL ADDITIONS</b>	<b>792,250</b>	<b>3,138,733</b>	<b>2,657,070</b>	<b>6,588,053</b>
<b>DEDUCTIONS:</b>				
Distributions to Participants	3,354	983,343	-	986,697
Health Insurance Premiums Paid	278,343	-	-	278,343
Health Insurance Claims Paid	162,294	-	-	162,294
Other Benefits Plan Expense	29,990	-	-	29,990
Payments of Sales Tax to Other Governments	-	-	2,488,338	2,488,338
Distributions - Intergovernmental Entities	-	700	-	700
Administrative Expense	17,929	279	7,506	25,714
Other Deductions	312,328	40,346	181,693	534,367
Transfers-Out	89	19	-	108
<b>TOTAL DEDUCTIONS</b>	<b>804,327</b>	<b>1,024,687</b>	<b>2,677,537</b>	<b>4,506,551</b>
<b>CHANGE IN NET POSITION</b>	<b>(12,077)</b>	<b>2,114,046</b>	<b>(20,467)</b>	<b>2,081,502</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>151,500</b>	<b>9,529,272</b>	<b>-</b>	<b>9,680,772</b>
Prior Period Adjustments (Note 15A)	-	(15)	-	(15)
Accounting Changes (See Note 15B)	58,942	(4,244)	762,891	817,589
<b>NET POSITION - FISCAL YEAR BEGINNING (RESTATED)</b>	<b>210,442</b>	<b>9,525,013</b>	<b>762,891</b>	<b>10,498,346</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 198,365</b>	<b>\$ 11,639,059</b>	<b>\$ 742,424</b>	<b>\$ 12,579,848</b>

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

**STATEMENT OF NET POSITION  
COMPONENT UNITS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 235,570	\$ 40,785	\$ 6,449	\$ 282,804
Restricted Cash and Pooled Cash	63,784	-	6,406	70,190
Contributions Receivable, net	-	49,548	-	49,548
Other Receivables, net	78,222	-	6,784	85,006
Due From Other Governments	1,102	-	-	1,102
Prepays, Advances and Deposits	-	-	201	201
Other Current Assets	42	177	3,917	4,136
<b>Total Current Assets</b>	<b>378,720</b>	<b>90,510</b>	<b>23,757</b>	<b>492,987</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	39,546	-	-	39,546
Restricted Investments	63,514	-	-	63,514
Restricted Receivables	876	-	-	876
Investments	-	2,909,333	-	2,909,333
Contributions Receivable, net	-	90,734	-	90,734
Other Long-Term Assets	942,793	-	219	943,012
Depreciable Capital Assets and Infrastructure, net	21	1,252	151,761	153,034
Land and Nondepreciable Capital Assets	-	-	20,747	20,747
<b>Total Noncurrent Assets</b>	<b>1,046,750</b>	<b>3,001,319</b>	<b>172,727</b>	<b>4,220,796</b>
<b>TOTAL ASSETS</b>	<b>1,425,470</b>	<b>3,091,829</b>	<b>196,484</b>	<b>4,713,783</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>1,986</b>	<b>-</b>	<b>341</b>	<b>2,327</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	7,743	13,689	4,407	25,839
Due To Other Governments	2,320	-	-	2,320
Unearned Revenue	-	-	4,019	4,019
Notes, Bonds, and COPs Payable	33,095	-	-	33,095
Other Current Liabilities	197,151	22,592	6,166	225,909
<b>Total Current Liabilities</b>	<b>240,309</b>	<b>36,281</b>	<b>14,592</b>	<b>291,182</b>
<b>Noncurrent Liabilities:</b>				
Deposits Held In Custody For Others	-	608,509	-	608,509
Notes, Bonds, and COPs Payable	321,755	-	-	321,755
Net Pension Liability	3,397	-	458	3,855
Other Postemployment Benefits	156	-	58	214
Other Long-Term Liabilities	21,658	21,928	-	43,586
<b>Total Noncurrent Liabilities</b>	<b>346,966</b>	<b>630,437</b>	<b>516</b>	<b>977,919</b>
<b>TOTAL LIABILITIES</b>	<b>587,275</b>	<b>666,718</b>	<b>15,108</b>	<b>1,269,101</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>1,985</b>	<b>-</b>	<b>743</b>	<b>2,728</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:	(97)	1,252	172,727	173,882
<b>Restricted for:</b>				
<b>Permanent Funds and Endowments:</b>				
Expendable	-	1,556,479	-	1,556,479
Nonexpendable	-	757,703	-	757,703
Other Purposes	792,183	-	1,707	793,890
Unrestricted	46,110	109,677	6,540	162,327
<b>TOTAL NET POSITION</b>	<b>\$ 838,196</b>	<b>\$ 2,425,111</b>	<b>\$ 180,974</b>	<b>\$ 3,444,281</b>

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

**STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
EXPENSES	\$ 30,731	\$ 216,684	\$ 49,039	\$ 296,454
PROGRAM REVENUES:				
Charges for Services	24,128	5,547	50,711	80,386
Operating Grants and Contributions	6,050	751,579	-	757,629
Capital Grants and Contributions	33,575	-	2,266	35,841
TOTAL PROGRAM REVENUES:	63,753	757,126	52,977	873,856
NET (EXPENSE) REVENUE	33,022	540,442	3,938	577,402
GENERAL REVENUES:				
Unrestricted Investment Earnings (Losses)	4,453	74,884	19	79,356
Other General Revenues	-	-	-	-
TOTAL GENERAL REVENUES	4,453	74,884	19	79,356
CHANGE IN NET POSITION	37,475	615,326	3,957	656,758
NET POSITION - FISCAL YEAR BEGINNING	800,721	1,809,785	176,550	2,787,056
Prior Period Adjustment (See Note 15A)	-	-	-	-
Accounting Changes (See Note 15B)	-	-	467	467
NET POSITION - FISCAL YEAR BEGINNING (Restated)	800,721	1,809,785	177,017	2,787,523
NET POSITION - FISCAL YEAR ENDING	\$ 838,196	\$ 2,425,111	\$ 180,974	\$ 3,444,281

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. NEW ACCOUNTING STANDARDS

The following accounting standards were implemented in Fiscal Year 2021:

GASB Statement No. 84 – Fiduciary Activities. In 2021, the State implemented GASB Statement No. 84. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria, in which the focus is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. In 2021, the Colorado School of Mines and Colorado State University both early-implemented GASB Statement No. 89. The Statement was not implemented at a statewide level. This Statement seeks to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period.

### B. FINANCIAL REPORTING ENTITY

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

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

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

**Blended Component Units:**

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

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

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

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

- 18<sup>th</sup> Avenue, LLC
- Altitude West, LLC
- Colorado School of Mines Building Corporation
- Mines Applied Technology Transfer, Inc.
- University License Equity Holdings, Inc.

**Discretely Presented Component Units:**

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

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. Management believes it would be misleading to exclude this entity.

The Denver Metropolitan Major League Baseball Stadium District currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the General Assembly authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, upon the final defeasance of all its outstanding debt. Board members are appointed by the Governor, with consent of the Senate. The Board members serve at the pleasure of the Governor which gives the State the ability to impose its will.

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

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

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

**Fiduciary Component Units:**

Under GASB Statement No. 84, Fiduciary Activities, component units that are engaged in fiduciary activities are presented in the fiduciary fund financial statements.

The University of Colorado Health and Welfare Trust is a fiduciary component unit of the State and is intended to be a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended. It was established to administer and manage certain health and welfare benefits for participating employees and retirees of member employers. Member employers of the Trust are the University of Colorado and University Physicians Inc., d/b/a CU Medicine. The Trust's Board is controlled by the University of Colorado which gives the State the ability to impose its will.

The State Board for Community Colleges and Occupational Education (SBCCOE) Employee Benefit Trust Fund was created as a not-for-profit 501(c)(9) entity in 1983 and is a fiduciary component unit of the State. It was established to provide benefits to SBCCOE employees that may include life, accidental death and dismemberment, short-term and/or long-term disability, basic or major medical, dental, other sick or accident benefits, or other benefits, as determined by the Benefit Trust Committee. The SBCCOE appoints the Trust's Board members, manages the benefit plans, and is administratively intertwined with the Trust, which gives the State the ability to impose its will.

**Contact:**

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

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

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

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

The government-wide statements report all non-fiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities include proprietary funds financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

Some of the State's component units have fiscal year-ends that differ from the State's fiscal year-end, and as a result amounts receivable and payable between the primary government and component units may not be equal. Amounts

shown as receivable and payable between the primary government and the component units are primarily with the University of Colorado Foundation, which has a matching fiscal year end, but also includes amounts related to component units not deemed material for discrete reporting.

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

#### **D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

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

##### GOVERNMENTAL FUND TYPE (MAJOR):

###### General Fund

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

###### Federal Special Revenue Fund

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

###### Highway Users Tax Fund

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

##### PROPRIETARY FUND TYPE (MAJOR):

###### Higher Education Institutions

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



### Healthcare Affordability

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

### Transportation Enterprise

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

### Unemployment Insurance

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

### Internal Service Funds

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

### FIDUCIARY FUND TYPE:

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others. Therefore, the resources reported in Fiduciary Funds cannot be used to support the government's own programs and are excluded in the government-wide financial statements. The types of Fiduciary Funds maintained by the State consist of the following:

### Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds are used to account for the activities of the retirement system, which accumulates resources for pension benefit payments to qualified public employees. 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, the College Savings Plan operated by CollegeInvest, and several smaller funds shown in the aggregate as Other.

#### Custodial Funds

Custodial funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Custodial 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 Annual Comprehensive Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenses are reported on each of the Statements of Changes in Net Position, or the Statement of Revenues, Expenditures and Changes in Fund Balances.

#### FUNCTIONAL PRESENTATION OF EXPENDITURES

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

##### General Government

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

##### Business, Community, and Consumer Affairs

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

##### Education

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

##### Health and Rehabilitation

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

## Justice

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

## Natural Resources

Department of Natural Resources.

## Social Assistance

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

## Transportation

Department of Transportation.

## **E. BASIS OF ACCOUNTING**

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

## FUND-LEVEL FINANCIAL STATEMENTS

### Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The State defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due at June 30.

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

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

Expenditures are recognized in governmental funds when:

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

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

#### Proprietary and Fiduciary Funds

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

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

#### **CASH AND POOLED CASH**

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

#### **RECEIVABLES**

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

#### **INVENTORIES AND PREPAIDS**

Inventories of the various State agencies are primarily comprised of finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items. Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or fair value. The State uses various valuation methods (FIFO, average cost, etc.) as selected by individual State agencies.

The method used in each agency is consistent from year to year. Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expended at the time of sale. Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

## INVESTMENTS

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value, except for certain investments which are measured at their Net Asset Value (see Note 4). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

## CAPITAL ASSETS

Depreciable capital assets are reported at historical cost, net of accumulated depreciation, on the government-wide *Statement of Net Position*. Donated capital assets are carried at their estimated acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

The following table lists the range of capitalization thresholds established by the State, as well as lower thresholds adopted by some State agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado adopted a \$75,000 threshold for land and leasehold improvements, buildings, intangibles, and infrastructure. All land and library materials/collections are capitalized regardless of cost.

Asset Class	Lower Threshold	Established State Thresholds
Land Improvements	\$ 5,000	\$ 50,000
Buildings	5,000	50,000
Leasehold Improvements	5,000	50,000
Intangible Assets	5,000	50,000
Vehicles and Equipment	NA	5,000
Software (purchased)	NA	5,000
Software (internally developed)	NA	50,000
Works of Art/Historical Treasure	NA	5,000
Other	5,000	NA
Infrastructure	50,000	500,000

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

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

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

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

#### **UNEARNED REVENUE AND DEFERRED INFLOWS**

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

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

#### **ACCRUED COMPENSATED ABSENCES LIABILITY**

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death. Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving State service.

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

## **INSURANCE**

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

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

## **NET POSITION**

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

## **FUND BALANCES**

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

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

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

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

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2020 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

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

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

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

### **PROGRAM REVENUES**

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

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

### **INDIRECT COST ALLOCATION**

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

The Plan uses allocation statistics from Fiscal Year 2018 and costs from the Fiscal Year 2020 (SB19-207 and other special or supplemental bills) Appropriations bill that were incorporated in State agency budgets for Fiscal Year 2021.

The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position*. However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the (Transfers-Out)/Transfers-In line item at the bottom of the *Statement of Activities*.



## **OPERATING REVENUES AND EXPENSES**

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

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

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

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

## **H. ADDITIONAL DISCLOSURE**

### **SUBSEQUENTLY DISCOVERED FACTS THAT BECAME KNOWN AFTER THE RELEASE OF THE INDEPENDENT AUDITOR'S REPORT**

On February 17, 2022, subsequent to the release of the Independent Auditor's Report on January 31, 2022, management notified the auditor of a misstatement in the classifications of net position for Business Type Activities. The Transportation Enterprise column on the Statement of Net Position - Proprietary Funds (page 56) reported a \$2.1 billion understatement in the classification of Net Investment in Capital Assets and a \$2.1 billion overstatement in the classification of Unrestricted. These misstatements affected the same classifications of net position for Business-Type Activities on the Government-wide Statement of Net Position (page 47) by the same dollar amounts. There was no misstatement of total net position at both the proprietary fund and government-wide levels.

The financial statements and Required Supplementary Information were revised and the Independent Auditor's Report has been dual-dated to include an additional date of March 8, 2022. The additional date is limited to the revisions to the financial statements and Required Supplementary Information.

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

### A. OVEREXPENDITURES

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

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

The State Controller is generally required by statute to restrict the subsequent year appropriation whether or not an overexpenditure is approved. Such a restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year’s expenditures. Per Section 24-75-109(2)(b) C.R.S., neither the Governor nor the State Controller is allowed to approve any overexpenditure in excess of the unencumbered balance of the fund from which the overexpenditure is made.

Total overexpenditures at June 30, 2021, were \$1,912.6 million as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Children’s Basic Health Plan Medical and Dental Costs – The Department of Health Care Policy & Financing overspent this line item by \$0.4 million cash funds. The overexpenditure was driven by higher-than-anticipated caseload growth for the expansion population funded by the Healthcare Affordability and Sustainability Fee cash fund.
- Behavioral Health Fee-for-Service Payments – The Department of Health Care Policy & Financing overspent this line item by \$0.05 million cash funds and \$0.2 million general funds. The behavioral health fee-for-service line represents expenditures that are excluded from coverage under the behavioral health capitation, either because the member is not attributed to the Regional Accountable Entity or the service fell outside of the contractual requirements of covered services. The overexpenditure occurred due to utilization growing by more than projected in the second half of the year.
- Behavioral Health Capitation Payments – The Department of Health Care Policy & Financing overspent this line item by \$0.1 million cash funds. The overexpenditure was driven by an increase in the number of ACA

expansion members with Medicare coverage, which are funded through cash funds as the state share and the standard FMAP. The increase in this population is a byproduct of the Medicaid continuous coverage requirement.

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

- None at June 30, 2021.

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

- None at June 30, 2021.

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

- None at June 30, 2021.

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

- Colorado Office of Film, Television and Media Operational Account – The Governor’s Office of Economic Development and International Trade had a deficit in the fund of \$0.2 million due to the transfer of Gaming revenue to this fund being suspended with the passage of HB20-1399. Historically, funds distributed in August were used to cover the prior year’s spending. This is a continuation of the overexpenditure HB20-1399 caused in Fiscal Year 2020 as the gaming funds are still suspended. Without cash coming into the fund restrictions of Fiscal Year 2021 budget was not possible. This will be remedied with the restriction the amount of the overexpenditure in the Fiscal Year 2022 budget and when gaming funds are restored. This issue will no longer exist, as the funds will be transferred at the beginning of the year rather than at the end.
- History Colorado Restricted Donations Fund – History Colorado had a deficit in the fund of \$0.7 million. Due to COVID-19, History Colorado’s revenue from the operation and gaming taxes decreased significantly. In order to continue to pay staff salaries, during Fiscal Year 2020 and Fiscal Year 2021, History Colorado applied for Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) and received PPP loan for \$2.3 million. On July 1, 2021, SBA approved the forgiveness for the full amount of the PPP loan. This will be one time deficit. The deficit will be eliminated in Fiscal Year 2022 once History Colorado recognize the forgiven loan amount.
- Highway Fund – The Department of Transportation had a deficit in this fund of \$0.3 million. This fund provides the following services: Print Shop, State Fleet and Sign Shop services. The Print Shop has not been able to cover its expenses and is closed. The Sign Shop is working on reducing the deficit fund balance.
- Unemployment Insurance Fund – The Department of Labor and Employment had a deficit in this fund of \$1,908.7 million. Due to the recession caused by the COVID-19 pandemic, estimated unemployment insurance benefits payable exceeded available and estimated resources at the end of Fiscal Year 2021. The Department has options available to address the deficit including, but not limited to, assessing unemployment insurance premium surcharges. The Department does not expect that this would be an ongoing problem outside of unprecedented circumstances like the COVID-19 pandemic.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in Section 25.5-8-108(5) C.R.S. However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in

compliance with statute, no restriction of Fiscal Year 2021 spending authority is recommended. The following cash funds were in a deficit fund balance position as a result of Department of Health Care Policy and Financing Medicaid activity as of June 30, 2021:

- Colorado Autism Treatment Fund - \$0.1 million
- Health Care Expansion Fund - \$1.8 million

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

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

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

In the 2005 general election, voters approved Referendum C, a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five fiscal years from 2006 through 2010. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC), which began in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The beginning base for the ESRC was the highest adjusted TABOR revenue during the five-year period, which occurred in Fiscal Year 2008.

In Fiscal Year 2021, revenue subject to TABOR was \$16,169.8 million, which was above the \$15,644.3 million ESRC by \$525.5 million, and by \$3,541.7 million over the original TABOR limit. Therefore, there is a refund payable from Fiscal Year 2021 revenue of \$525.5 million. During the year, the State reimbursed \$22.3 thousand of the Fiscal Year 2015 refund payable through the sales tax and earned income tax credit mechanisms and \$120.7 million of the Fiscal Year 2019 refund payable through the income tax rate reduction mechanism. The State's liability for TABOR refunds was \$547.9 million at June 30, 2021, which includes the Fiscal Year 2021 revenue above the ESRC and prior-year revenue adjustments of \$809.1 thousand. Since the inception of Referendum C in Fiscal Year 2006, the State has retained \$27,457.0 million (unadjusted for prior year errors) – \$3,593.6 million during the initial five-year revenue retention period, and an additional \$23,863.4 million as a result of the higher ESRC limit in Fiscal Year 2011 through Fiscal Year 2021.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. The estimated reserve for Fiscal Year 2021 was based on the revenue projection prepared in the spring of 2020 by the Legislative Council. In the Long Appropriations Act, HB 20-1360, the funds designated below and the maximum balances from each, constitute the reserve.

At June 30, 2021, the financial net positions, or fund balances of the following funds were restricted:

- Major Medical Insurance Fund, a portion of the nonmajor Labor Fund – \$63.0 million maximum set in the Long Appropriations Act.
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund – \$33.0 million.

- Controlled Maintenance Trust Fund, a portion of the major General Fund – \$73.0 million.
- Disaster Emergency Fund – \$75.0 million.
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund – \$5.0 million.

The 2020 legislative session Long Appropriations Act also designated up to \$160.0 million of State properties as the remainder of the emergency reserve.

Based on actual fiscal year nonexempt revenues in Fiscal Year 2021, the required reserve was \$485.1 million. Because the actual reserve requirement was more than the amount set in HB 20-1360, the total amount restricted for the reserve was \$76.1 million less than the combined maximums allowable in the designated funds detailed above.

During Fiscal Year 2021, nine executive orders called for a net amount of \$65.9 million to be transferred from the funds constituting the TABOR reserve, to the Disaster Emergency Fund (DEF), in response to the costs of dealing with the COVID-19 pandemic. Another \$9.8 million was transferred to the DEF through six executive orders for the costs of fighting wildfires across the State.

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

#### **CASH AND POOLED CASH**

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

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

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

The State had an accounting system cash deposit balance of \$1,181.3 million as of June 30, 2021. Under the GASB Statement No. 40 definitions, \$29.0 million of the State's total bank balance of \$1,371.6 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the State's name.

#### **RECEIVABLES**

The Taxes Receivable of \$1,865.0 million shown on the government-wide *Statement of Net Position* in current assets net of long-term taxes receivable of \$160.2 million, primarily comprises the following:

- \$1,835.8 million in the General Purpose Revenue Fund, mainly self-assessed income and sales tax. This amount includes \$160.2 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*.
- \$125.5 million of unemployment insurance premiums receivable primarily recorded in the Unemployment Insurance Fund.
- \$61.8 million recorded in non-major special revenue funds that include approximately \$17.8 million from insurance premium tax and \$18.7 million from gaming tax.

The Restricted Receivables of \$323.5 million shown for Governmental Activities on the government-wide *Statement of Net Position* in non-current assets related primarily to \$3.0 million of taxes receivable, \$114.5 million of other receivables, and \$205.5 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 \$1,491.4 million shown on the government-wide *Statement of Net Position* are net of \$288.2 million in allowance for doubtful accounts and primarily comprise the following:

- \$452.2 million of receivables recorded in the General Fund, of which \$57.0 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of \$363.7 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded \$9.2 million of patient receivables.
- \$587.2 million of student and other receivables of Higher Education Institutions.
- \$101.9 million of receivables recorded by the Department of Health Care Policy and Financing in the Colorado Healthcare Affordability and Sustainability Enterprise Fund related primarily to rebates from drug companies associated with prescriptions for Medicaid clients.
- \$70.0 million of receivables recorded by the Department of Labor and Employment primarily for unemployment insurance overpayments.

## **INVENTORIES**

Inventories of \$319.8 million shown on the government-wide *Statement of Net Position* at June 30, 2021, primarily comprise the following:

- \$228.0 million of consumable supplies inventories, of which \$102.4 million was recorded in the Disaster Emergency Fund; \$42.1 million was recorded by the Department of Natural Resources for the Colorado Water Conservation Board Fund; \$61.2 million was recorded in the General Fund; \$10.5 million was recorded by Higher Education Institutions; and \$9.9 million was recorded for Highways.
- \$74.4 million of resale inventories, of which \$34.5 million was recorded for Resource Extraction; \$27.1 million recorded by Higher Education Institutions; \$7.6 million recorded for Highways; and \$2.5 million recorded for the Colorado Lottery.
- \$9.0 million of warehouse and consignment inventories recorded in the General Fund; and \$7.3 million of raw material, work in process, and finished goods inventories recorded by Correctional Industries – a nonmajor enterprise fund.

## **PREPAIDS, ADVANCES, AND DEPOSITS**

Prepays, Advances, and Deposits of \$159.7 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- \$28.3 million advanced to Colorado counties by the General Purpose Revenue Fund primarily related to emergency management and social assistance programs.
- \$22.7 million prepaid by Higher Educational Institutions, of which \$4.2 million primarily related to cash payments for library subscriptions at Colorado State University.
- \$18.5 million prepaid from the Marijuana Tax Cash Fund was to designated service organizations by the Department of Human Services primarily for behavioral health.

- \$16.1 million advanced to Colorado cities and special districts by the Division of Homeland Security and Emergency Management.
- \$8.0 million advanced by the Office of Economic Development for grants from the Advance Industries program.
- \$6.9 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- \$6.8 million prepaid by the Governor’s Office of Information Technology primarily for multi-year maintenance and licensing agreements.
- \$5.7 million prepaid by the Department of Transportation for the Owners Controlled Insurance Program (OCIP) on substantially large highway construction projects.
- \$5.4 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 \$878.1 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 \$160.2 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 \$602.8 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 (\$31.5 million), a non-major special revenue fund, and the Resource Extraction Fund (\$498.9 million), a non-major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The \$114.2 million shown as Other Long-term Assets on the *Statement of Net Position – Proprietary Funds* is primarily student loans issued by Higher Education Institutions but also includes livestock.



#### NOTE 4 – INVESTMENTS

The State holds investments both for its own benefit and as an agent for certain entities as provided by statute. The State does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer.

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including State agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 6 and other pension funds are not considered public funds. In general, the statute allows investment in: Certificates of Participation related to a lease or lease purchase commitment, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, corporate or bank debt securities denominated in US dollars, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

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

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

The State Treasurer maintains a custodial fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2021 and 2020, the treasurer had \$82.1 million and \$76.9 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 \$12.9 million of investment in residential mortgages representing payments of property taxes of certain elderly State citizen homeowners that qualify for the Property Tax Deferral Program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

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

(Amounts in Thousands)

Footnote Amounts	<u>Carrying Amount</u>
Deposits (Note 3)	\$ 1,181,296
Investments:	
Governmental Activities	19,191,486
Business-Type Activities	4,502,141
Fiduciary Activities	<u>11,492,751</u>
Total	<u>\$ 36,367,674</u>
Financial Statement Amounts	
Net Cash and Pooled Cash	\$ 14,822,784
Add: Warrants Payable Included in Cash	<u>619,596</u>
Total Cash and Pooled Cash	15,442,380
Add: Restricted Cash	3,447,440
Add: Restricted Investments	1,456,022
Add: Investments	<u>16,021,832</u>
Total	<u>\$ 36,367,674</u>

### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the State's name.

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in custodial funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

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

	(Amounts in Thousands)			
	Governmental Activities			Total
	Treasurer's Pool	General Fund	Other Governmental	
NOT SUBJECT TO CUSTODIAL CREDIT RISK				
U.S. Treasury Bills	\$ 339,997	\$ -	\$ -	\$ 339,997
U.S. Treasury Notes/Bonds	2,589,580	-	165,730	2,755,310
U.S. Agency Securities (Not Explicitly Guaranteed)	602,333	-	24,503	626,836
Commercial Paper	2,709,359	-	-	2,709,359
Corporate Bonds	4,949,759	-	579,498	5,529,257
Municipal Bonds	187,832	-	9,361	197,193
Money Market Mutual Funds	3,810,000	-	1,020	3,811,020
Bond Mutual Funds	-	-	14,653	14,653
Asset-Backed Securities	479,347	-	24,431	503,778
Mortgage-Backed Securities	1,943,949	12,909	220,903	2,177,761
Sovereigns/Supranationals	96,368	-	10,822	107,190
Equity Mutual Funds	-	-	364,407	364,407
Other	-	-	53,851	53,851
SUBTOTAL	<u>17,708,524</u>	<u>12,909</u>	<u>1,469,179</u>	<u>19,190,612</u>
SUBJECT TO CUSTODIAL CREDIT RISK				
Money Market Mutual Funds	-	-	874	874
SUBTOTAL	<u>-</u>	<u>-</u>	<u>874</u>	<u>874</u>
TOTAL	<u>\$ 17,708,524</u>	<u>\$ 12,909</u>	<u>\$ 1,470,053</u>	<u>\$ 19,191,486</u>

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 as of June 30, 2021. The University of Colorado, Colorado State University, and the Colorado School of Mines reported investments in the internal pools of their respective foundations. These investments are reported as Investment in Foundation Pool.

	(Amounts in Thousands)		
	Business-Type Activities		Fiduciary
	Higher Education Institutions	Total	Fiduciary
<b>NOT SUBJECT TO CUSTODIAL CREDIT RISK</b>			
U.S. Treasury Bills	\$ 15,988	\$ 15,988	\$ 4,914
U.S. Treasury Notes/Bonds	110,041	110,041	4,571
U.S. Agency Securities (Explicitly Guaranteed)	191	191	-
U.S. Agency Securities (Not Explicitly Guaranteed)	83,984	83,984	-
Commercial Paper	2,003	2,003	-
Corporate Bonds	275,463	275,463	21,007
Municipal Bonds	759	759	1,431
Money Market Mutual Funds	400,862	400,862	27,786
Bond Mutual Funds	176,156	176,156	43,762
Asset-Backed Securities	193,224	193,224	374
Investment In Foundation Pool	636,728	636,728	-
Mortgage-Backed Securities	107,887	107,887	29,900
Guaranteed Investment Contracts	4,374	4,374	-
Corporate Equities	3,108	3,108	-
Private Equities	67,206	67,206	6,002
Equity Mutual Funds	1,643,402	1,643,402	28,139
Other	226,659.00	226,659	23,609
<b>SUBTOTAL</b>	<b>3,948,035</b>	<b>3,948,035</b>	<b>191,495</b>
<b>SUBJECT TO CUSTODIAL CREDIT RISK</b>			
U.S. Treasury Bills	2,008	2,008	-
U.S. Treasury Notes/Bonds	168,941	168,941	-
U.S. Agency Securities (Explicitly Guaranteed)	13,912	13,912	-
U.S. Agency Securities (Not Explicitly Guaranteed)	97	97	-
Corporate Bonds	201,819	201,819	-
Municipal Bonds	22,795	22,795	-
Money Market Mutual Funds	223	223	1,184,277
Bond Mutual Funds	31,673	31,673	3,956,476
Asset-Backed Securities	1,028	1,028	-
Mortgage-Backed Securities	952	952	-
Guaranteed Investment Contracts	-	-	172,727
Corporate Equities	10,698	10,698	-
Equity Mutual Funds	48,599	48,599	5,987,153
Balanced Mutual Funds	406	406	-
Other	50,955	50,955	623
<b>SUBTOTAL</b>	<b>554,106</b>	<b>554,106</b>	<b>11,301,256</b>
<b>TOTAL</b>	<b>\$ 4,502,141</b>	<b>\$ 4,502,141</b>	<b>\$ 11,492,751</b>

### Credit Quality Risk

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

The State Treasurer's formal investment policy requires that eligible securities must be rated at least by one and preferably two nationally recognized rating organizations. One rating must be from Moody's, Standard & Poor's, or Fitch. The policy sets acceptable credit quality ratings by investment portfolio and investment type.

The fair value amount of rated and unrated debt securities is detailed in the following table by the lowest known credit quality rating, which shows the Treasurer's Pool, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate. The credit quality ratings shown are Moody's, Standard and Poor's, and Fitch, respectively.

Credit Quality Rating	CREDIT QUALITY RATINGS (Amounts In Thousands)										
	U.S. Govt. Securities	Commercial Paper	Corporate Bonds	Asset Backed Securities	Mortgage Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Sovereigns & Supranationals	Guaranteed Investment Contracts	Other	Total
<b>Treasurer's Pool:</b>											
Long-term Ratings											
Aaa/AAA/AAA	\$ -	\$ -	\$ 184,664	\$ 479,347	\$ -	\$ 3,810,000	\$ -	\$ 96,368	\$ -	\$ 29,639	\$ 4,600,018
Aa/AA/AA	602,333	2,709,359	642,161	-	1,943,949	-	-	-	-	158,192	6,055,994
A/A/A	-	-	2,279,340	-	-	-	-	-	-	-	2,279,340
Baa/BBB/BBB	-	-	1,838,611	-	-	-	-	-	-	-	1,838,611
Unrated	-	-	4,983	-	-	-	-	-	-	-	4,983
<b>Total T-Pool</b>	<b>602,333</b>	<b>2,709,359</b>	<b>4,949,759</b>	<b>479,347</b>	<b>1,943,949</b>	<b>3,810,000</b>	<b>-</b>	<b>96,368</b>	<b>-</b>	<b>187,831</b>	<b>14,778,946</b>
<b>Higher Education Institutions:</b>											
Long-term Ratings											
Aaa/AAA/AAA	868	-	63,302	135,234	560	439,164	79	-	-	5,962	645,169
Aa/AA/AA	37,828	-	27,821	12,873	-	-	119,816	-	-	25,260	223,598
A/A/A	451	-	153,324	11,482	-	-	-	-	-	2,357	167,614
Baa/BBB/BBB	2,893	-	215,923	4,427	-	-	-	-	-	560	223,803
Ba/BB/BB	-	-	14,566	83	371	-	-	-	-	-	15,020
B/B/B	-	-	287	244	-	-	-	-	-	-	531
Caa/CCC/CCC	-	-	-	1,221	-	-	-	-	-	-	1,221
Short-term Ratings											
P1/MIG1/A-1/F-1	-	2,003	-	-	-	-	-	-	-	-	2,003
Unrated	42,042	-	3,443	28,514	3,206	214	117,669	-	46,115	67,327	308,530
<b>Total Higher Ed</b>	<b>84,082</b>	<b>2,003</b>	<b>478,666</b>	<b>194,253</b>	<b>4,137</b>	<b>439,378</b>	<b>237,564</b>	<b>-</b>	<b>46,115</b>	<b>101,466</b>	<b>1,587,664</b>
<b>Fiduciary Funds:</b>											
Long-term Ratings											
Aaa/AAA/AAA	-	-	531	155	-	1,697	-	-	-	571	2,954
Aa/AA/AA	-	-	1,767	-	6,917	-	-	-	-	746	9,430
A/A/A	-	-	6,455	-	-	-	-	-	-	114	6,569
Baa/BBB/BBB	-	-	4,217	76	-	-	-	-	-	-	4,293
Unrated	-	-	165	143	-	743,873	4,408,151	-	172,727	-	5,325,059
<b>Total Fiduciary</b>	<b>-</b>	<b>-</b>	<b>13,135</b>	<b>374</b>	<b>6,917</b>	<b>745,570</b>	<b>4,408,151</b>	<b>-</b>	<b>172,727</b>	<b>1,431</b>	<b>5,348,305</b>
<b>All Other Funds:</b>											
Long-term Ratings											
Aaa/AAA/AAA	-	-	14,601	13,668	-	-	-	10,822	-	1,852	40,943
Aa/AA/AA	24,503	-	74,364	1,952	242,697	-	-	-	-	2,363	345,879
A/A/A	-	-	194,969	2,432	228	-	-	-	-	-	197,629
Baa/BBB/BBB	-	-	215,247	3,082	592	-	-	-	-	-	218,922
Ba/BB/BB	-	-	35,577	794	368	-	-	-	-	-	36,740
B/B/B	-	-	37,106	-	-	-	-	-	-	-	37,106
Caa/CCC/CCC	-	-	6,444	-	-	-	-	-	-	-	6,444
Ca/D/DDD	-	-	51	-	-	-	-	-	-	-	51
Unrated	-	-	6,284	2,503	12,909	-	14,653	-	-	-	36,350
<b>Total Other</b>	<b>24,503</b>	<b>-</b>	<b>584,643</b>	<b>24,431</b>	<b>256,794</b>	<b>-</b>	<b>14,653</b>	<b>10,822</b>	<b>-</b>	<b>4,215</b>	<b>920,064</b>
<b>Total</b>	<b>\$ 710,918</b>	<b>\$ 2,711,362</b>	<b>\$ 6,026,203</b>	<b>\$ 698,405</b>	<b>\$ 2,211,797</b>	<b>\$ 4,994,948</b>	<b>\$ 4,660,368</b>	<b>\$ 107,190</b>	<b>\$ 218,842</b>	<b>\$ 294,943</b>	<b>\$ 22,634,979</b>

## Interest Rate Risk

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

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

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

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

Investment Type	Treasurer's Pool		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. Treasury Bills/Notes/Bonds	\$ 2,930,703	4.886	\$ 296,835	9.747	\$ 4,571	2.454	\$ 164,604	10.184
U.S. Agency Securities	602,333	6.101	201,800	22.998	-	-	24,503	3.515
Bond Mutual Funds	-	-	196,235	8.600	11,271	3.980	-	-
Commercial Paper	2,709,359	0.183	2,003	0.109	-	-	-	-
Corporate Bonds	4,949,759	7.199	477,283	9.010	13,135	3.673	579,498	8.072
Repurchase Agreements	-	-	67,206	0.666	-	-	-	-
Asset-Backed Securities	479,347	1.651	194,253	17.242	374	0.056	24,431	3.422
Money Market Funds	-	-	61,917	0.098	745,570	0.003	-	-
Municipal Bonds	187,832	10.754	34,246	9.765	1,431	0.389	9,361	25.245
Mortgage-Backed Securities	1,944,148	7.333	4,137	0.398	29,900	4.454	220,704	4.659
Other	96,368	3.180	46,115	1.367	-	-	10,822	6.417
Total Investments	<u>\$13,899,849</u>		<u>\$ 1,582,030</u>		<u>\$ 806,252</u>		<u>\$ 1,033,923</u>	

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds for \$378.0 million with a duration of 7.7 years and a short-term inflation protected securities index fund for \$93.0 million with a duration of 2.6 years. These securities are excluded from the duration table below because interest rate risk is effectively mitigated by the inflation protection attribute of the funds.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
Colorado School of Mines:		
Money Market Funds	\$ 1,383	7.100
Private Purpose Trust Funds:		
CollegeInvest:		
Bond Mutual Fund-1	\$ 1,238,825	6.800
Bond Mutual Fund-2	723,901	7.100
Bond Mutual Fund-3	594,605	1.900
Bond Mutual Fund-4	570,705	8.400
Bond Mutual Fund-5	91,195	6.800
Bond Mutual Fund-6	266,252	2.700
Bond Mutual Fund-7	440,404	3.200

## **Foreign Currency Risk**

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

## **Concentration of Credit Risk**

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

## **Fair Value Measurements**

To the extent available, the State's investments are recorded at fair value as of June 30, 2021. 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 – 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, 2021:

	(Amounts in Thousands)			
	Fair Value as of June 30, 2021	Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
U.S. Treasury Bills	\$ 362,905	\$ 361,116	\$ 1,789	\$ -
U.S. Treasury Notes/Bonds	3,038,863	2,919,552	119,311	-
U.S. Agency Securities (Explicitly Guaranteed)	14,103	191	13,912	-
U.S. Agency Securities (Not Explicitly Guaranteed)	710,918	97	710,821	-
Commercial Paper	2,711,362	-	2,711,362	-
Corporate Bonds	6,027,546	7,871	6,019,494	181
Municipal Bonds	222,177	-	222,177	-
Money Market Mutual Funds	5,086,098	5,085,078	1,020	-
Bond Mutual Funds	4,222,721	4,222,721	-	-
Asset-Backed Securities	698,405	-	697,201	1,204
Mortgage-Backed Securities	2,316,500	2,968	2,300,623	12,909
Sovereigns/Supranationals	107,190	-	107,190	-
Guaranteed Investment Contracts	177,101	4,374	-	172,727
Investment in Foundation Pool	636,728	-	-	636,728
Corporate Equities	13,806	13,806	-	-
Private Equities	6,002	-	-	6,002
Equity Mutual Funds	8,071,700	8,039,347	32,353	-
Balanced Mutual Funds	406	406	-	-
Other	134,662	6,857	10,551	117,254
<b>Total</b>	<b>\$ 34,559,193</b>	<b>\$ 20,664,384</b>	<b>\$ 12,947,804</b>	<b>\$ 947,005</b>
Total investments measured at NAV	169,604			
Total other investments not valued at fair value	457,549			
<b>Total</b>	<b>\$ 35,186,346</b>			

On June 30, 2021, the University of Colorado held an investment in an equity trust valued at \$169.6 million. The value was determined using the University's Net Asset Value (NAV) per share in the equity trust. The assets held by the trust could be sold at an amount different than the NAV per share due to the liquidation policies in the trust's investor agreements. Redemption frequencies for these funds range from one to seven days and there were no unfunded commitments as of June 30, 2021.

The University of Colorado also held investments in a repurchase agreement with a contract value of \$67.2 million, guaranteed investment agreements with a contract value of \$46.1 million, and private equities measured at a cost of \$5.3 million. It is the State's policy to report money market fund investments at fair market value unless the institution managing the investment reports its value at amortized cost. At June 30, 2021, the University of Colorado held \$338.9 million of money market funds valued at amortized cost.

### Treasurer's Investment Pool

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

**NOTE 5 – CAPITAL ASSETS**

During Fiscal Year 2021, the State capitalized \$17.0 million of interest incurred during the construction of capital assets. The majority of this capitalized interest was for the Department of Transportation’s Bridge Enterprise of \$16.2 million, and the High Performance Transportation Enterprise of \$0.7 million, and Institutions of Higher Education of \$0.1 million.

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

GOVERNMENTAL ACTIVITIES	(Amounts in Thousands)	Depreciation Amount
General Government		\$ 58,658.5
Business, Community and Consumer Affairs		2,487.3
Education		40,823.1
Health and Rehabilitation		12,367.4
Justice		50,800.0
Natural Resources		455.0
Social Assistance		18,329.2
Transportation		<u>321,872.2</u>
Total Depreciation Expense - Governmental Activities		<u>505,792.7</u>
BUSINESS-TYPE ACTIVITIES		
Higher Education		491,505.0
Parks and Wildlife		18,104.0
State Nursing Homes		1,862.6
Unemployment Insurance		2,195.4
Transportation		25,648.7
Social Assistance		5,213.8
Other Enterprise Funds		<u>2,201.3</u>
Total Depreciation Expense - Business-Type Activities		<u>546,730.8</u>
Total Depreciation Expense Primary Government		<u>\$ 1,052,523.5</u>

The schedule on the following page shows the capital asset activity during Fiscal Year 2021. The schedule shows that \$526.1 million of construction in progress projects were completed and added to capital assets for Governmental activities, and \$920.8 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
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 119,222	\$ 20,844	\$ -	\$ (90)	\$ 139,976
Land Improvements	7,752	-	-	-	7,752
Collections	11,213	-	-	-	11,213
Other Capital Assets	12,347	4,118	-	(9,806)	6,659
Construction in Progress (CIP)	1,548,817	779,767	(545,720)	(3,566)	1,779,298
Infrastructure	1,040,339	1,019	19,657	-	1,061,015
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,739,690</b>	<b>805,748</b>	<b>(526,063)</b>	<b>(13,462)</b>	<b>3,005,913</b>
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	81,861	3,275	317	(964)	84,489
Buildings	3,399,414	2,111	217,830	(7,523)	3,611,832
Software	578,925	15,335	8,285	(3,311)	599,234
Vehicles and Equipment	1,029,805	87,559	5,196	(42,953)	1,079,607
Library Materials and Collections	5,482	381	-	(338)	5,525
Other Capital Assets	37,156	134	-	-	37,290
Infrastructure	12,502,697	19	294,435	89,335	12,886,486
<b>Total Capital Assets Being Depreciated</b>	<b>17,635,340</b>	<b>108,814</b>	<b>526,063</b>	<b>34,246</b>	<b>18,304,463</b>
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(43,573)	(3,759)	-	276	(47,056)
Buildings	(1,272,738)	(89,849)	-	1,280	(1,361,307)
Software	(371,159)	(48,775)	-	2,936	(416,998)
Vehicles and Equipment	(639,522)	(69,270)	-	38,948	(669,844)
Library Materials and Collections	(3,984)	(373)	-	338	(4,019)
Other Capital Assets	(36,635)	(28)	-	-	(36,663)
Infrastructure	(5,411,155)	(293,738)	-	-	(5,704,893)
<b>Total Accumulated Depreciation</b>	<b>(7,778,766)</b>	<b>(505,792)</b>	<b>-</b>	<b>43,778</b>	<b>(8,240,780)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>9,856,574</b>	<b>(396,978)</b>	<b>526,063</b>	<b>78,024</b>	<b>10,063,683</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>12,596,264</b>	<b>408,770</b>	<b>-</b>	<b>64,562</b>	<b>13,069,596</b>
<b>BUSINESS- TYPE ACTIVITIES:</b>					
Capital Assets Not Being Depreciated:					
Land	656,790	10,562	7,150	49,120	723,622
Land Improvements	17,041	-	-	-	17,041
Collections	33,148	982	-	20	34,150
Construction in Progress (CIP)	1,529,265	774,906	(928,506)	(77,631)	1,298,034
Other Capital Assets	15,461	8,477	-	-	23,938
Infrastructure	98,042	-	522	-	98,564
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,349,747</b>	<b>794,927</b>	<b>(920,834)</b>	<b>(28,491)</b>	<b>2,195,349</b>
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	890,981	84,919	49,853	(788)	1,024,965
Buildings	10,529,004	55,034	572,203	(2,356)	11,153,885
Software	240,501	42,635	15,227	(46,049)	252,314
Vehicles and Equipment	1,331,747	87,847	14,235	(42,094)	1,391,735
Library Materials and Collections	629,100	21,917	-	(2,851)	648,166
Other Capital Assets	3,874	81	-	-	3,955
Infrastructure	1,308,495	964	269,316	(91,403)	1,487,372
<b>Total Capital Assets Being Depreciated</b>	<b>14,933,702</b>	<b>293,397</b>	<b>920,834</b>	<b>(185,541)</b>	<b>15,962,392</b>
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(491,542)	(41,965)	-	617	(532,890)
Buildings	(4,149,512)	(344,853)	-	966	(4,493,399)
Software	(203,910)	(15,092)	-	45,796	(173,206)
Vehicles and Equipment	(990,524)	(93,619)	-	37,346	(1,046,797)
Library Materials and Collections	(495,963)	(24,208)	-	3,160	(517,011)
Other Capital Assets	(2,027)	(130)	-	-	(2,157)
Infrastructure	(128,355)	(26,865)	-	435	(154,785)
<b>Total Accumulated Depreciation</b>	<b>(6,461,833)</b>	<b>(546,732)</b>	<b>-</b>	<b>88,320</b>	<b>(6,920,245)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>8,471,869</b>	<b>(253,335)</b>	<b>920,834</b>	<b>(97,221)</b>	<b>9,042,147</b>
<b>TOTAL BUSINESS- TYPE ACTIVITIES</b>	<b>10,821,616</b>	<b>541,592</b>	<b>-</b>	<b>(125,712)</b>	<b>11,237,496</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 23,417,880</b>	<b>\$ 950,362</b>	<b>\$ -</b>	<b>\$ (61,150)</b>	<b>\$ 24,307,092</b>

## **NOTE 6 – DEFINED BENEFIT PENSIONS**

### **Summary of Significant Accounting Policies**

The State of Colorado is a participating employer in the State Division Trust Fund (“SDTF”) and the Judicial Division Trust Fund (“JDTF”), both cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The State of Colorado is also a governmental nonemployer contributing entity in the SDTF, JDTF, School, and Denver Public Schools Division Trust Fund (“DPS”) Divisions. In addition, the University of Colorado offers a single-employer, defined benefit Alternate Medicare Payment pension plan to retirees of its Optional Retirement Plan. The net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, aid to other governments, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SDTF, JDTF, School Division, DPS Division, and the Alternate Medicare Payment Plan 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.

### **Recent Legislative Changes**

Senate Bill (SB) 18-200 entitled *Modifications To PERA Public Employees’ Retirement Association To Eliminate Unfunded Liability* requires a direct distribution from the State Treasury to PERA for \$225.0 million annually to reduce unfunded PERA liabilities. The direct distributions are to occur until no unfunded actuarial accrued liabilities exist for any PERA Division Trust. PERA allocates the direct distribution to four PERA Division Trusts in proportion with payroll-based contributions.

House Bill (HB) 20-1379, signed by Governor Polis on June 29, 2020, suspended the July 1, 2020 direct distribution for the State’s fiscal year ended June 30, 2021. Due to the suspension, the State of Colorado’s nonemployer contributing entity’s proportion is zero percent. Refer to the sections below on Net Pension Liability and Pension Expense & Aid to Other Governments for information on the effect to the State’s financial statements from the zero percent proportionate share for the State of Colorado as a nonemployer contributing entity.

Pursuant to Section 24-51-414 Colorado Revised Statutes (C.R.S.), the annual direct distribution payment from the State of Colorado resumed on July 1, 2021.

### **General Information about the Pension Plan**

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

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

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

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

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

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

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

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

As of December 31, 2020, 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., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to Section 24-51-413, C.R.S. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SDTF and for the JDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in Section 24-51-413, C.R.S.

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

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

**Contributions**

Eligible employees and the State are required to contribute to the SDTF at rates established under Section 24-51-401, C.R.S., *et seq.* and Section 24-51-413, C.R.S. Employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are presented in the following tables:

State Division Trust Fund	July 1, 2020 Through June 30, 2021
Employee contribution (all employees except State Troopers)	10.00%
State Troopers Only	12.00%

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

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

<b>State Division Trust Fund</b>	<b>July 1, 2020 Through December 31, 2020</b>	<b>January 1, 2021 Through June 30, 2021</b>
Employer contribution rate	10.90%	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%
<b>Total employer contribution rate to the SDTF</b>	<b>19.88%</b>	<b>19.93%</b>

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

<b>State Division Trust Fund</b>	<b>July 1, 2020 Through December 31, 2020</b>	<b>January 1, 2021 Through June 30, 2021</b>
Employer contribution rate	13.60%	13.60%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SDTF	12.58%	12.58%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%
<b>Total employer contribution rate to the SDTF</b>	<b>22.58%</b>	<b>22.63%</b>

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

Eligible employees and the State are required to contribute to the JDTF at rates established under Section 24-51-401 C.R.S., *et seq.* and Section 24-51-413, C.R.S. Employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are presented in the following tables:

<b>Judicial Division Trust Fund</b>	<b>July 1, 2020 Through June 30, 2021</b>
Employee contribution	15%

<b>Judicial Division Trust Fund</b>	<b>July 1, 2020 Through December 31, 2020</b>	<b>January 1, 2021 Through June 30, 2021</b>
Employer contribution rate	9.41%	9.41%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the JDTF	8.39%	8.39%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	3.80%	4.20%
<b>Total employer contribution rate to the JDTF</b>	<b>15.99%</b>	<b>16.79%</b>

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

As specified in Section 24-51-414 C.R.S., the State is required to contribute \$225.0 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF and JDTF based on the proportionate amount of annual payroll of those division trust funds to the total annual payroll of each trust to the School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF and JDTF is considered a nonemployer contribution for financial reporting purposes. As noted above, House Bill (HB) 20-1379 suspended the \$225.0 million direct distribution for July 1, 2020 which relates to the State's fiscal year ended June 30, 2021.

Employer contributions are recognized by the SDTF and by the JDTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions to the SDTF and to the JDTF. Employer contributions made by the State to the SDTF and to the JDTF were \$626.0 million and \$8.5 million, respectively, for the year ended June 30, 2021.

### Net Pension Liability

The net pension liability for the SDTF and for the JDTF were measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The State's proportion of the net pension liability of the SDTF and of the JDTF is based on the State's contributions to the SDTF and to the JDTF for calendar year 2020 relative to the total contributions of all participating employers and the nonemployer contributions made by the State to the SDTF and to the JDTF.

The State reports a net pension liability in accordance with the requirements of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* using the Schedule of Employer and Nonemployer Allocations and Schedule of Collective Pension Amounts published by PERA. The Schedule of Employer and Nonemployer Allocations for PERA's fiscal year ended December 31, 2020 reports a proportionate share of zero percent for the State of Colorado as a nonemployer contributing entity due to the suspension of the July 1, 2020 direct distribution payment. The zero percent proportionate share resulted in no liability attributable to employees of other governments at June 30, 2021 as well as no proportionate share of collective pension expense for the fiscal year ended June 30, 2021. Pursuant to Section 24-51-414 C.R.S., the direct distribution payment from the State of Colorado recommenced on July 1, 2021 and the State will resume reporting a component of its net pension liability attributable to employees of other governments for its fiscal year ending June 30, 2022. Refer to the last four tables in Note RSI-2 for historical information on the State of Colorado's proportionate share of collective pension amounts as a nonemployer contributing entity. Historical information on the collective pension amounts is available in the Required Supplementary Information section of PERA's Annual Comprehensive Financial Report available at <https://www.copera.org/investments/pera-financial-reports>.

For purposes of GASB 68 paragraph 15, a circumstance continues to exist in which a nonemployer contributing entity is legally responsible for making contributions to the State, Judicial, School and DPS Division Trust Funds and is considered to meet the definition of a special funding situation.

At June 30, 2021, the State reported a total liability of \$9.1 billion for its proportionate share of the net pension liability. The amounts recognized by the State for its proportionate share of the net pension liability are as follows:

(Amounts in thousands)	PERA Division Trust Fund				
	State	Judicial	School	DPS	Total
Proportionate share of the net pension liability attributable to:					
State's own employees	\$ 9,066,999	\$ 57,929	-	-	\$ 9,124,928
Employees of other governments	-	-	-	-	-
Total	\$ 9,066,999	\$ 57,929	\$ -	\$ -	\$ 9,124,928

## Proportionate Share

The State's proportions at December 31, 2019, December 31, 2020, and how the proportions increased or decreased are presented in the following table:

As a Participating Employer			
Proportionate Share			
PERA Division	12/31/2019	12/31/2020	Increase (Decrease)
State	95.49%	95.60%	0.11%
Judicial	94.28%	93.49%	-0.79%
As a Governmental Nonemployer Contributing Entity			
Proportionate Share			
PERA Division	12/31/2019	12/31/2020	Decrease
State	0.51%	0.00%	-0.51%
Judicial	0.64%	0.00%	-0.64%
School	11.26%	0.00%	-11.26%
DPS	30.71%	0.00%	-30.71%

## Pension Expense & Aid to Other Governments

For the year ended June 30, 2021, the State recognized pension expense for its own employees and expense to aid other governments related to support provided by the State as a governmental nonemployer contributing entity. The components of expense are presented in the following table.

(Amounts in thousands)	PERA Division Trust Fund				Total
	State	Judicial	School	DPS	
Pension expense	\$ (1,880,214)	\$ (15,026)	-	-	\$ (1,895,240)
Aid to other governments*	1,706	37	74,647	3,373	79,763
Total	\$ (1,878,508)	\$ (14,989)	\$ 74,647	\$ 3,373	\$ (1,815,477)

\* Amortization of employer-level deferrals only. Due to the suspension of the PERA direct distribution in Fiscal Year 2021, this does not include amounts for a proportionate share of collective pension expense since the proportionate share was zero.

## Deferred Outflows of Resources and Deferred Inflows of Resources

The State participates in the SDTF and the JDTF as both an employer and as a governmental nonemployer contributing entity. The following tables therefore segregate deferred outflows of resources and deferred inflows of resources between balances related to the State's own employees and balances related to employees of other governments. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

### State Division Trust Fund

(Amounts in thousands)	Deferred Outflows of Resources Related to		Deferred Inflows of Resources Related to	
	State's Own Employees	Employees of Other Governments	State's Own Employees	Employees of Other Governments
	Difference between expected and actual experience	\$ 224,071	\$ -	\$ -
Changes of assumptions or other inputs	615,665	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	1,855,773	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	246,008	-	236,216	43,694
Contributions subsequent to the measurement date	311,594	-	-	-
Total	\$ 1,397,338	\$ -	\$ 2,091,989	\$ 43,694

Deferred outflows of resources of \$311.6 million related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(Amounts in thousands)
2022	(83,239)
2023	(44,866)
2024	(630,940)
2025	(290,830)

#### Judicial Division Trust Fund

(Amounts in thousands)	Deferred Outflows of Resources Related to		Deferred Inflows of Resources Related to	
	State's Own Employees	Employees of Other Governments	State's Own Employees	Employees of Other Governments
Difference between expected and actual experience	\$ 12,722	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	671	-	39,662	-
Net difference between projected and actual earnings on pension plan investments	-	-	41,646	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	322	676	1,397	1,025
Contributions subsequent to the measurement date	4,322	-	-	-
Total	\$ 18,037	\$ 676	\$ 82,705	\$ 1,025

Deferred outflows of resources of \$4.3 million related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(Amounts in thousands)
2022	(28,636)
2023	(23,208)
2024	(11,960)
2025	(5,535)

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

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

#### School & DPS Division Trust Funds

(Amounts in thousands)	Deferred Outflows of Resources		Deferred Inflows of Resources	
	School Division	DPS Division	School Division	DPS Division
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	497,435	114,418	1,880,940	191,135
Total	\$ 497,435	\$ 114,418	\$ 1,880,940	\$ 191,135

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

Year ended June 30:	(Amounts in thousands)
2022	(253,558)
2023	(747,680)
2024	(458,984)

### Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

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

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

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

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.



	State Division Trust Fund	Judicial Division Trust Fund	School Division Trust Fund	DPS Division Trust Fund
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30 percent	2.30 percent	2.30 percent	2.30 percent
Real wage growth	0.70 percent	0.70 percent	0.70 percent	0.70 percent
Wage inflation	3.00 percent	3.00 percent	3.00 percent	3.00 percent
Salary increases, including wage inflation	3.50 - 10.90 percent	2.80 - 5.30 percent	3.40 - 11.00 percent	3.80 - 11.50 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent	7.25 percent	7.25 percent
Post-retirement benefit increases:				
PERA benefit structure hired prior to 1/1/07	1.25 percent	1.25 percent	1.25 percent	1.25 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members,

employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225.0 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225.0 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**Sensitivity of the net pension liability to changes in the discount rate**

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

(Amount in thousands)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u>Proportionate Share of the Net Pension Liability</u>		
State Division Trust Fund	\$ 11,995,907	\$ 9,066,999	\$ 6,607,774
Judicial Division Trust Fund	103,919	57,929	18,530
School Division Trust Fund	-	-	-
DPS Division Trust Fund	-	-	-

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

**Payables to the PERA Defined Benefit Pension Plan**

A short-term payable of approximately \$2.9 million existed at June 30, 2021 for employer and employee contributions due to PERA. C.R.S. 24-51-401 requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

## Alternate Medicare Payment

**Plan description.** The University of Colorado offers an Alternate Medicare Payment (AMP) to retirees of the University of Colorado Optional Retirement Plan (ORP) participating in Medicare as an alternative to healthcare coverage provided under the University OPEB Plan (University OPEB). The AMP is a single- employer, defined benefit, pension plan established by the University who also administers and has the authority to amend benefits (e.g., ad hoc postemployment benefit changes). No assets are accumulated in a trust as the University funds the AMP on a pay-as-you-go basis. No stand-alone financial report is issued, and the AMP is not included in the report of a public employee retirement system.

**Benefits.** A participant must be in a benefits-eligible position at 50 percent or greater appointment immediately preceding retirement and have met the required number of service years. Only ORP retirees participating in Medicare are eligible to receive AMP benefits. The AMP is available to the employee and eligible spouse/same gender domestic partner. AMP benefits are not provided for dependent children. The AMP is non-contributory for the retiree and provides a monthly, non-salary dependent, cash payment to offset healthcare-related costs. As the monthly cash payments are not restricted as to use, they are considered a pension benefit rather than OPEB. Since the AMP's inception, monthly cash payments have been \$154 for a retiree, \$262 for a retiree plus spouse/same gender domestic partner, and \$108 for a surviving spouse.

**Employees Covered by Benefit Terms.** The actuarial valuation was based on census data as of March 1, 2019. Table below is a summary of the employees covered by the benefit terms used in the valuation.

<b>Employees Covered by AMP's Benefit Terms</b>	
Active employees	13,619
Retirees and beneficiaries currently receiving benefit payments	685
Retirees and beneficiaries entitled to but not yet receiving benefit payments	214
<b>Total</b>	<b>14,518</b>

**Total Pension Liability.** The AMP's total pension liability at June 30, 2021 of \$119.8 million was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date. The University contributed \$1.8 million for the year ended June 30, 2021.

**Actuarial Assumptions and Other inputs.** The AMP's total pension liability in the June 30, 2020 actuarial valuation was determined using the actuarial assumptions and other inputs in Table below, applied to all periods included in the measurement, unless otherwise specified.

<b>AMP's Actuarial Assumptions and Other Inputs</b>	
Actuarial cost method	Entry age
Inflation rate	2.50%
Salary increases	PERA's 12/31/2020 assumption for the State Division (Non-Troopers)
Discount rate	2.20%
Benefit cost trend rate	2.50%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based upon the PUB-2010 Amounts-Weighted Teachers Classification Table for Employees with generational projection using Scale MP-2020.

With the exception of the mortality assumption, the demographic assumptions are based upon Colorado PERA's "Experience Study for the Four Year Period Ending December 31, 2015" for the State Division (Non-Troopers).

**Changes in the Total Pension Liability.** Table below details the changes in the AMP's total pension liability during Fiscal Year 2021.

**Reconciliation of AMP's Total Pension Liability**  
**(in thousands )**

**Fiscal Year Ending June 30, 2021**

<b>Total pension liability, beginning of year</b>	\$90,199
<b>Changes recognized for the fiscal year:</b>	
Service cost	4,854
Interest on total AMP liability	3,295
Differences between expected and actual experience	(124)
Changes of assumption	23,408
Estimated benefit payments	(1,828)
Net changes	29,605
<b>Total pension liability, end of year</b>	<b>\$119,804</b>

**Sensitivity of the total pension liability to changes in the discount rate.** The following table presents the total pension liability of the AMP, as well as what the AMP's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

**Sensitivity of AMP's Total Pension Liability to Changes in the Discount Rate (in thousands)**

	1% Decrease	Discount Rate	1% Increase
Fiscal year ended	1.20%	2.20%	3.20%
June 30, 2021	145,137	119,804	100,082

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.** The University recognized \$12.1 million of pension expense for the AMP in Fiscal Years 2021. The following table presents the AMP's deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of June 30, 2021.

**AMP Deferred Outflows and Inflows of Resources (in thousands)**

	Deferred Outflows	Deferred Inflows
Changes in Assumptions	32,015	1,684
Differences between expected and actual experience	-	4,942
Benefit payments subsequent to the measurement date	1,819	-
<b>Total</b>	<b>33,834</b>	<b>6,626</b>

The \$1.8 million reported as deferred outflows of resources as of June 30, 2021, resulting from benefit payments subsequent to the measurement date, will be recognized as a reduction to the AMP's total pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as summarized in table below.

<b>Future Amortization of AMP's Deferred Outflows of Resources and Inflows of Resources (<i>in thousands</i>)</b>		
<b>Years ending June 30:</b>		
2022	\$	3,950
2023		3,950
2024		3,950
2025		3,310
2026		3,050
2027-2029		7,179
<b>Total</b>	<b>\$</b>	<b>25,389</b>

The following table lists the amortization bases included in the AMP's deferred outflows and inflows of resources as of June 30, 2021.

<b>Amortization of AMP Deferred Outflows of Resources and Deferred Inflows of Resources (<i>in thousands</i>)</b>						
Date Established	Type of Base	Period		Balance		Annual Amortization
		Original	Remaining	Original	Remaining	
July 1, 2016	Differences between expected and actual experience	8.5	3.5	\$ (101)	(41)	(12)
July 1, 2016	Changes in assumptions	8.5	3.5	10,999	4,529	1,294
July 1, 2017	Differences between expected and actual experience	8.5	4.5	(3,377)	(1,789)	(397)
July 1, 2017	Changes in assumptions	8.5	4.5	(3,180)	(1,684)	(374)
July 1, 2018	Differences between expected and actual experience	8.3	5.3	(109)	(70)	(13)
July 1, 2018	Changes in assumptions	8.3	5.3	4,940	3,155	595
July 1, 2019	Differences between expected and actual experience	8.3	6.3	(3,865)	(2,933)	(466)
July 1, 2019	Changes in assumptions	8.3	6.3	4,845	3,677	584
July 1, 2020	Differences between expected and actual experience	8.5	7.5	(124)	(109)	(15)
July 1, 2020	Changes in assumptions	8.5	7.5	23,408	20,654	2,754
				<b>Total</b>	<b>\$ 25,389</b>	<b>\$ 3,950</b>

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

### **Summary of OPEB Plans**

The State of Colorado participates in the following OPEB plans:

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

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

### **PERA Health Care Trust Fund OPEB**

#### **Summary of Significant Accounting Policies**

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

#### **General Information about the OPEB Plan**

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

#### **Benefits Provided**

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

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

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

### **PERA Benefit Structure**

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

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

### **DPS Benefit Structure**

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

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

### **Contributions**

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



Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the State is statutorily committed to pay the contributions. Contributions made by the State and allocated to the HCTF for purposes of financial reporting were \$31.4 million for the year ended June 30, 2021.

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

At June 30, 2021 the State reported a liability of \$313.2 million for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The State’s proportion of the net OPEB liability is based on contributions to the HCTF from the State for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the State’s proportion was 32.96 percent, which was an increase of 0.21 percent from its proportion measured as of December 31, 2019.

For the fiscal year ended June 30, 2021, the State recognized OPEB expense of \$6.0 million. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 831	\$ 68,859
Changes of assumptions or other inputs	2,340	19,206
Net difference between projected and actual earnings on pension plan investments	-	12,798
Changes in proportion and differences between contributions recognized and proportionate share of contributions	16,152	20,846
Contributions subsequent to the measurement date	15,600	-
Total	<u>\$ 34,923</u>	<u>\$ 121,709</u>

\$15.6 million reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	(Amounts in thousands)
2022	\$ (24,316)
2023	(22,525)
2024	(24,731)
2025	(22,531)
2026	(7,789)
Thereafter	(494)

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB	
plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	8.10 percent in 2020, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2020, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2020 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$588	\$227
Kaiser Permanente Medicare Advantage HMO	\$621	\$232

The 2020 Medicare Part A premium is \$458 per month.

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

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$550
Kaiser Permanente Medicare Advantage HMO	\$586

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

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

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

Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	<b>Trust Fund</b>			
	<b>State</b>	<b>School</b>	<b>Local Government</b>	<b>Judicial</b>
	<b>Division</b>	<b>Division</b>	<b>Division</b>	<b>Division</b>
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%*	N/A

\* C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

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

### Sensitivity to Changes in Health Care Cost Trend Rates

The following table presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

#### Sensitivity - Health Care Cost Trend Rates

(Amounts in thousands)	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A	2.50%	3.50%	4.50%
Ultimate Medicare Part A	3.50%	4.50%	5.50%
Net OPEB Liability	\$305,117	\$313,213	\$322,637

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

**Sensitivity to Changes in the Discount Rate**

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

**Sensitivity - Discount rate**

(Amount in thousands)	1% Decrease	Current	1% Increase
	(6.25%)	Discount Rate (7.25%)	(8.25%)
Proportionate Share of the Net OPEB Liability	\$ 358,791	\$ 313,213	\$ 274,270

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Payables to the PERA Health Care Trust OPEB Plan**

A short-term payable of approximately \$144.2 thousand existed at June 30, 2021 for employer and employee contributions due to PERA. Section 24-51-401(1.7)(a)(I), C.R.S. requires employer, employee, and retiree contributions be remitted to PERA within five days after the date the members and retirees are paid. PERA Rule 4.10-A specifies that employers are responsible for payment of interest computed on a daily rate for contributions not remitted timely.

**University of Colorado Healthcare and Life Insurance Subsidy (University OPEB)**

**Plan description.** University OPEB provides OPEB for University employees who participate in either the University of Colorado Optional Retirement Plan (ORP) or the University of Colorado PERA Retirement Plans (PERA). University OPEB is a single-employer, defined benefit, OPEB plan administered by the University, and established by the Regents (Regent Policy 11.F Benefits) who have the authority to amend plan provisions. No assets are accumulated in a trust that meets the criteria established in GAAP, as the University funds University OPEB on a pay-as-you-go basis. No stand-alone financial report is issued, and University OPEB is not included in the report of a public employee retirement system.

**Benefits.** The University subsidizes a portion of healthcare and life insurance premiums for retirees on a pay-as-you-go basis. All employees in a benefit-eligible position at 50 percent or greater appointment immediately preceding retirement are eligible to participate based on age and years of service. Spouses/partners, surviving spouses/partners, and dependents are eligible for benefits. The University specifies the maximum amount that it will contribute towards retiree healthcare benefits at the beginning of each coverage period. The retiree is required to make up the difference between the total cost and the amount contributed by the University. Benefits are not dependent on salary. For non-Medicare retirees, the subsidy for medical plans ranges from \$610 per month to \$1,763 per month depending on the number of individuals covered. For Medicare retirees, the subsidy ranges from \$716 per month to \$1,030 per month depending on the number of individuals covered. For dental plans, the subsidy ranges from \$0 per month to \$58 per month. The amount of life insurance offered is the lesser of 25 percent of the employee’s pre-retirement benefit or \$3,000. It is assumed for purposes of this report that everyone is eligible for the maximum life insurance benefit of \$3,000.

For ORP retirees, normal retirement benefits are available at age 55 with 20 years of service. Early retirement benefits begin at age 55 with 15 years of service. For PERA retirees, normal retirement benefits begin at 20 years of service and the individual must meet requirements as defined by PERA. The individual must retire with PERA concurrent with or prior to retirement from the University. Early retirement is available with fewer than 20 years of service. Healthcare benefits for PERA retirees cease at age 65. Following the death of an active employee, the surviving spouse receives 100 percent of the University contribution for a period of two years. After two years, the surviving spouse receives the portion of the University contribution that the employee earned immediately prior to death.

The percentage of the University contribution the retiree receives is based on the retiree's years of service at retirement divided by the required number of years of service. Enrollment in University OPEB is voluntary. University and participant payments for healthcare benefits are paid to the University of Colorado Health and Welfare Trust which is responsible for administration of healthcare benefits. The University contributed \$14.4 million for the fiscal year ended June 30, 2021.

**Employees Covered by Benefit Terms.** The actuarial valuation was based on census data as of March 1, 2019. The following table presents a summary of the employees covered by the benefit terms used in the valuation.

	Healthcare		Life Insurance	
	ORP	PERA	ORP	PERA
Active employees	13,619	5,085	14,973	5,533
Retirees and beneficiaries	1,380	646	1,910	3,060
<b>Total</b>	<b>14,999</b>	<b>5,731</b>	<b>16,883</b>	<b>8,593</b>

**Total OPEB Liability.** The University OPEB's total OPEB liability at June 30, 2021 of \$941.6 million was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the actuarial assumptions and other inputs in the following table, applied to all periods included in the measurement, unless otherwise specified.

University OPEB's Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry age
Salary increases	PERA's 12/31/2020 assumption for the State Division (Non-Troopers)
Discount rate	2.2% at 6/30/2020 measurement date
	3.5% at 6/30/2019 measurement date



Healthcare Cost Trend Rates:

Year	Non-Medicare			Medicare		
	Medical	Rx	Contributions	Medical	Rx	Contributions
2019-2020	6.0%	9.0%	6.7%	4.9%	9.0%	7.6%
2020-2021	5.8%	8.5%	6.4%	4.9%	8.5%	7.3%
2021-2022	5.6%	8.0%	6.2%	4.8%	8.0%	7.0%
2022-2023	5.4%	7.5%	5.9%	4.8%	7.5%	6.7%
2023-2024	5.3%	7.0%	5.7%	4.7%	7.0%	6.3%
2024-2025	5.1%	6.5%	5.5%	4.7%	6.5%	6.0%
2025-2026	5.0%	6.0%	5.2%	4.6%	6.0%	5.6%
2026-2027	4.8%	5.5%	5.0%	4.6%	5.5%	5.2%
2027-2028	4.7%	5.0%	4.7%	4.5%	5.0%	4.9%
2028-2029+	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Dental trend rate 4.50% in all years.

Administrative expense trend rate is 3.00% in all years.

**Retirees' Share of Benefit Related Costs:**

Plan	Retiree	Retiree and
	Only	Spouse or Partner
Kaiser Medical	\$ 109.00	\$ 296.50
Exclusive Medical	\$ 50.50	\$ 184.50
High Deductible Medical	\$ -	\$ 15.00
Medicare Primary Medical	\$ 41.31	\$ 207.30
Essential Dental	\$ -	\$ 16.50
Choice Dental	\$ 17.00	\$ 51.50
Premier Dental	\$ 46.50	\$ 82.50

The discount rate was based upon the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based upon the PubT.H-2010 – Healthy Retiree Table for Males or Females, as appropriate, with generational projection using Scale MP-2020.

With the exception of the mortality assumption, the demographic assumptions are based upon Colorado PERA's "Experience Study for the Four Year Period Ending December 31, 2015" for the State Division (Non-Troopers).

**Changes in the Total OPEB Liability.** The following table details the changes in the University's total OPEB plan liability during fiscal year 2021.

Reconciliation of University OPEB's Total OPEB Liability ( <i>in thousands</i> )	
	Total OPEB Liability
Balance recognized at June 30, 2020	\$ 712,892
Changes recognized for the fiscal year:	
Services cost	49,138
Interest on total OPEB liability	26,392
Differences between expected and actual experience	287
Changes of assumption	168,948
Benefit payments	(16,062)
Net changes	228,703
Balance recognized at June 30, 2021	\$ 941,595

Changes of assumptions and other inputs reflect:

- Discount rate changed from 3.50 percent to 2.20 percent.
- Mortality table was updated from PUB-2010 “Teachers” table with generational projection using Scale PM-2019 to the PUB-2010 “Teachers” table with generational projection using Scale MP-2020.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following table presents the total OPEB liability of the University OPEB, as well as what University OPEB’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for the fiscal year ended June 30, 2021.

Sensitivity of University OPEB's Total OPEB Liability to Changes in the Discount Rate (in thousands)			
	1% Decrease	Discount Rate	1% Increase
Fiscal year ended	1.20%	2.20%	3.20%
June 30, 2021	1,122,721	941,595	799,768

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following table presents the total OPEB liability of the University OPEB, as well as what the University OPEB’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the fiscal year ended June 30, 2021.

Sensitivity of University OPEB's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)			
	1% Decrease	Trend Rate	1% Increase
Fiscal year ended			
June 30, 2021	770,782	941,595	1,169,982

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to OPEB.** The University recognized \$56.8 million in OPEB expense for the University OPEB Plan in fiscal year 2021. There are no assets accumulating in trust for the University OPEB plan. The following table illustrates the deferred outflows and inflows of resources from various sources as of June 30, 2021.

University OPEB's Deferred Outflows and Inflows of Resources (in thousands)		
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	250	193,066
Changes in Assumptions	171,257	21,322
Contributions subsequent to the measurement date	14,407	-
Total	185,914	214,388

The \$14.4 million reported as deferred outflows of resources as of June 30, 2021, resulting from contributions subsequent to the measurement date, will be recognized as a reduction to the University’s OPEB liability in the year ending June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown in the following table.

Future Amortization of University OPEB's Deferred  
Outflows of Resources and Inflows of Resources (in  
thousands)

<b>Years ending June 30:</b>	
2022	\$ (18,681)
2023	(18,681)
2024	(18,681)
2025	(7,813)
2026	(2,846)
2027-2028	23,821
<b>Total</b>	<b>\$ (42,881)</b>

Amortization bases included in the University's OPEB deferred outflows and inflows of resources as of June 30, 2021 are presented in the following table.

Amortization of University OPEB's Deferred Outflows of Resources and Deferred Inflows of Resources *(in thousands)*

Date Established	Type of Base	Period		Balance		Annual Amortization
		Original	Remaining	Original	Remaining	
July 1, 2017	Differences between expected and actual experience	7.4	3.4	\$ (87,654)	(40,274)	(11,845)
July 1, 2017	Changes in assumptions	7.4	3.4	(46,406)	(21,322)	(6,271)
July 1, 2018	Differences between expected and actual experience	7.5	4.5	(1,728)	(1,038)	(230)
July 1, 2018	Changes in assumptions	7.5	4.5	35,919	21,552	4,789
July 1, 2019	Differences between expected and actual experience	7.5	5.5	(209,938)	(151,754)	(27,592)
July 1, 2019	Changes in assumptions	7.5	5.5	3,678	2,698	490
July 1, 2020	Differences between expected and actual experience	7.7	6.7	287	250	37
July 1, 2020	Changes in assumptions	7.7	6.7	168,948	147,007	21,941
				<b>Total</b>	<b>\$ (42,881)</b>	<b>\$ (18,681)</b>

## **NOTE 8 – OTHER EMPLOYEE BENEFITS**

### **A. MEDICAL AND DISABILITY BENEFITS**

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

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's Salary Reduction Plan Document. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2020, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of \$20 depending on the level of participation.

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

For the fiscal year ended June 30, 2021, the State offered two statewide, self-funded PPO options administered by Cigna and two regional, fully-insured HMO options administered by Kaiser Permanente. Two of these medical options were HSA-qualified high-deductible health plans (HDHPs). Two statewide, dental PPO options administered by Delta Dental were also offered.

The Public Employees Retirement Association (PERA) covers short-term disability claims for State employees eligible under its retirement plan (see Note 6). The Group Benefit Plans Fund provides short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

### **B. DEFINED CONTRIBUTION RETIREMENT PLANS**

#### Defined Contribution Retirement Plan (PERA DC Plan)

*Plan Description* – Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's Annual Report as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 10.00 percent of their PERA-includable salary, and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to

contribute 12.00 percent of their PERA-includable salary, and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	<i>July 1, 2020 through December 31, 2020</i>	<i>January 1, 2021 through June 30, 2021</i>
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413 <sup>1</sup>	0.50%	0.50%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505 <sup>1</sup>	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	0.05%
<b>Total employer contribution rate to the SDTF<sup>1</sup></b>	<b>10.75%</b>	<b>10.80%</b>

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. For the Fiscal Year ending June 30, 2021, the State of Colorado recognized pension expense of \$16.8 million for the PERA DC Plan.

#### University of Colorado - Optional Retirement Plan

Under the University's optional retirement plan (ORP), a 401(a) plan, certain members of the University are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. Generally, employees are eligible for participation in the ORP upon hire and are vested immediately upon participation.

For the year ended June 30, 2021, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the ORP approximated \$170.0 million.

Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security.

#### Colorado State University - University Optional Retirement Plan – The Defined Contribution Plan for Retirement (DCP)

Under the University's optional retirement plan, all Academic Faculty, Administrative Professionals, Post-Doctoral Fellows, Veterinary Interns and Clinical Psychology Interns appointed on or after April 1, 1993, are required as a condition of employment under Colorado law to participate in either the University's Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from three investment companies as follows:

- Fidelity Investments / MetLife (eligible Faculty/Staff at CSU-Pueblo do not have access to this investment company)
- Teachers Insurance and Annuity Association (TIAA)
- AIG Retirement Services (AIG)

The defined contribution retirement plans are established pursuant to state statute (24 54.5 101 to 24 54.5 107 C.R.S.). The CSU plan was adopted by the Board of Governors in December 1992 and the CSU-Pueblo plan was adopted in April 1993. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU and CSU-Pueblo are the Plan Sponsors. All participants contribute the required eight percent of eligible salary. As required, CSU provides a matching contribution of 12.0 percent of eligible salary for all “permanent” appointees (those with regular, special and senior teaching appointments at half time or greater) and for temporary appointees with appointments of half time or greater for the second and subsequent consecutive year(s). CSU-Pueblo provides a matching contribution of 11.1 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant directed within the funds available through the authorized investment companies. For the year ended June 30, 2020, the System’s contribution to the defined contribution retirement plan was equal to 11.5 percent of covered payroll, and the employee contribution was equal to 8 percent of covered payroll. The System’s contribution under the ORP approximated \$55.2 million during the year ended June 30, 2021.

## NOTE 9 – RISK MANAGEMENT

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a \$5,000 deductible per occurrence. Pursuant to the Colorado Governmental Immunity Act, Section 24-10-101 C.R.S., claims that accrued before January 1, 2018 brought under state law are limited to \$350,000 per person, and \$990,000 per accident. Claims that accrue after January 1, 2018 and before January 1, 2022 brought under state law are limited to \$387,000 per person, and \$1,093,000 per accident. The Colorado Governmental Immunity Act requires the Secretary of State to certify adjusted limits for claims that accrue after January 1, 2022 by that date based on the percentage change of the consumer price index over the preceding four years. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State.

Workers compensation losses are self-insured per the Risk Management Act (Section 24-30-1501, C.R.S.); the State has purchased \$50.0 million of excess insurance per occurrence (\$10.0 million deductible). Property claims are self-insured as well with \$450.0 million of property loss insurance (\$1,000,000 deductible). The State has also purchased excess liability coverage for automotive liability outside Colorado \$5.0 million per occurrence (\$2.0 million deductible), and \$10.0 million of employee dishonesty and theft loss coverage (\$250,000 deductible). Liability settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over \$500,000 per individual. The State also maintains a

fully insured health plan with Kaiser that is separate from the self-funded plan. In Fiscal Year 2021, the State recovered \$4.8 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 \$14.1 million of insurance recoveries during Fiscal Year 2021. Of that amount approximately \$6.4 million was related to asset impairments that occurred in prior years. The remaining \$7.7 million relates to the current year and was primarily recorded by Group Benefits Plans (including the \$4.8 million, as noted above), a Pension and Other Employee Benefits Fund, and \$2.0 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. The Fund's liabilities are projected on a semi-annual basis by an actuary, Willis Towers Watson. The risks of loss are related to workers' compensation, auto, property and general liability claims. The University has purchased excess insurance to cover losses over its' self-insured retention (SIR), which varies by line of coverage and policy year. The current SIR levels are \$500,000 per property claim, \$1.5 million per workers' compensation claim, and \$1.25 million per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified areas at \$350,000 per person and \$990,000 per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2021 and there were four claims that exceeded coverage in the past three fiscal years: two Property, one General Liability, and one Workers' Compensation.

University of Colorado Anschutz Medical Campus and its faculty and staff are self-insured for medical malpractice liability under the terms of the Colorado Governmental Immunity Act. The University of Colorado Self-Insurance Trust was authorized and established by the Board of Regents under the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased a stop-loss policy to cover claims greater than \$500,000 per claimant and \$1.5 million per occurrence. The policy provides \$15.0 million coverage in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2021. Over the past three years, the plan has collected \$141,531 from the stop-loss insurance carrier for settlements in excess of the individual stop-loss insurance coverage.

The University of Colorado Graduate Medical Education (GME) Health Benefits Program is a comprehensive health and dental insurance program for physicians in training at the Anschutz Medical Campus. Coverage includes major medical, outpatient, lab, x-ray, prescriptions and personal psychiatric services for residents plus their immediate family (spouses and children). The plan's exposure to loss results from medical and dental claims filed on behalf of the enrolled members after receiving medical and dental services from qualified health care providers. Excess risk exposure is covered by the purchase of stop-loss insurance, which entitles GME to get reimbursement for claims exceeding \$325,000 per individual and per plan year. There were no reductions of insurance coverage in Fiscal Year 2021 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected \$5.7 million from the stop-loss insurance carrier for individual claims in excess of the threshold over the previous three years. There was a high-cost claimant incurred in Fiscal Year 2020 with a result of \$5.1 million in reimbursements. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than \$500,000 per claimant, \$1.5 million per occurrence, and \$15.0 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 2021, however, the University collected \$141,531 from the stop-loss insurance carrier for settlements in excess of the individual stop-loss insurance coverage.

Colorado State University medical, dental, short-term disability, liability and workers' compensation liabilities are based on a calculation using past experience and current data. CSU also purchases re-insurance which covers individual health care claims of more than \$350,000 in any plan (calendar) year. The health care plans have reserves that are set by the University based upon the underwriting review by our benefits consultant and our third-party administrator. Workers comp, liability and property liability also have reserve accounts established. CSU instructs an actuarial company to perform an annual actuarial study of CSU's Workers' Compensation and Liability self-insurance programs. CSU is self-insured for liability insurance and carries Excess Public Liability for claims exceeding \$500,000 per occurrence. CSU is liable for the first \$500,000 and purchases excess liability in the amount of \$25.0 million per occurrence in two layers: the first layer of \$10.0 million with Brit (Lloyds of London), with a sexual abuse sublimit of \$5.0 million, and an additional layer of \$10.0 million with Munich RE, and Brit providing an additional layer of \$5.0 million. CSU carries excess Workers Compensation. Under this coverage CSU is liable for the first \$500,000 and Safety National Casualty Company covers the rest up to Workers' Compensation's statutory limits. CSU carries excess insurance for property insurance with FM Global which provides coverage up to \$1.0 billion per occurrence after CSU covers the first \$100,000. CSU purchases a standalone Fine Arts/Special Collections policy with limits of \$30.0 million. CSU carries Cyber Risk Liability Insurance with Lloyds of London with a liability limit of \$10.0 million after the following deductible amounts are met: \$250,000 for cyber extortion, and \$10,000 for crisis management and public relations. CSU has International Liability Insurance with Great Northern Insurance Company for \$1.0 million. CSU carries Non-Owned Aviation Liability Insurance (Non-Owned) with Starr Aviation with a liability limit of \$50.0 million after CSU pays the \$1,000 deductible for each occurrence. CSU also carries UAV (Unmanned Aerial Vehicles) Liability Insurance with Global Aerospace with a single limit of \$1.0 million per occurrence. Insurance policies are reviewed regularly for gaps in coverage, and where appropriate additional coverage may be purchased. In Fiscal Year 2019, additional limits of \$1.0 million were purchased for social engineering coverage. As of March 1, 2016, CSU purchased liability, professional liability and pollution liability for all CEMML (Center for Environmental Management of Military Lands) operations, including their prescribed burn operations. This insurance included a primary layer of \$2.0 million aggregate, an umbrella layer of \$5.0 million, and an excess layer of \$5.0 million. Effective October 2017 CSU purchased additional limits of \$50.0 million for CEMML operations, including additional responsibility for prescribed burning. There were no significant reductions in insurance coverage in Fiscal Year 2021, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, automobile, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2006.

The University of Northern Colorado has purchased \$3.0 million of general liability insurance (\$0 deductible), \$3.0 million of professional liability insurance (\$25,000 deductible), \$1.0 million of automobile liability (\$0 deductible), \$3.0 million of errors and omissions insurance (\$25,000 deductible), \$3.0 million of employment practices liability (\$50,000 deductible), \$500,000 of workers compensation (\$1,000 deductible), \$2.0 million umbrella liability with a self-insured retention of \$10,000, \$3.0 million of employee dishonesty (\$25,000 deductible), and \$500 million for other property coverage (\$50,000 deductible). There were no significant reductions in insurance coverage in Fiscal Year 2021, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Colorado School of Mines manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$500,000 of worker's compensation insurance (\$1,000 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2021, and the amount of settlements has not exceeded coverage during the fiscal year.

Colorado School of Mines manages other liability risks through the purchase of insurance. The University purchased \$2.0 million of general liability insurance (\$0 deductible), \$4.0 million of educator's legal liability insurance (\$10,000 deductible), \$1.0 million of automobile liability (\$1,000 deductible), \$1.0 million of fiduciary (\$10,000 deductible), \$4.0 million of employment practices liability (\$50,000 deductible), \$3.0 million of umbrella liability (\$10,000 self-insured retention), \$1.0 million of employee dishonesty (\$25,000 deductible), \$1.1 billion of property (\$100,000 deductible), \$725,000 of inland marine (\$5,000 deductible), \$1.0 million of aviation (\$0 deductible), \$5.0 million of cybersecurity coverage (\$50,000 deductible) and \$4.0 million of foreign coverage (\$0 deductible). Before Fiscal Year 2018, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2021, and the amount of settlements has not exceeded coverage during the fiscal year.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased \$500,000 of worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2011, the College was covered under the State's risk management program. The College retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2021, 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 \$571.7 million (\$10,000 deductible), \$2.0 million of general liability (\$0 deductible), and \$7.0 million of fine arts insurance (\$2,500 deductible). The College has also purchased \$1.0 million of employee dishonesty insurance (\$10,000 deductible). Before Fiscal Year 2012, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2021 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$1.0 million of worker's compensation insurance (\$5,000 deductible). Before Fiscal Year 2011, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010. There were no significant reductions in insurance coverage in Fiscal Year 2021, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased \$2.0 million of general liability insurance (\$1,000 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011. There were no significant reductions in insurance coverage in Fiscal Year 2021 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased \$500,000 of worker's compensation insurance (\$500 deductible). Before Fiscal Year 2012, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011. There were no significant reductions in insurance coverage in Fiscal Year 2021 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages general liability risks primarily through the purchase of insurance.

The University has purchased general liability insurance of \$2.0 million (\$1,000 deductible for accidents and acts of nature, \$10,000 for loss to property). Before Fiscal Year 2013, the University was covered under the State's risk management program. The University retains a small amount of self-insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2013. There were no significant reductions in insurance coverage in Fiscal Year 2021, 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). There were no significant reductions in insurance coverage in Fiscal Year 2021 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages liability risks primarily through the purchase of insurance. The University has purchased a property policy that will cover the replacement costs of all real or personal property, a \$2.0 million aggregate general liability policy (\$1,000 deductible), auto, fidelity, and a \$10.0 million aggregate umbrella policy. Before Fiscal Year 2012, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2021 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities (Amounts in Thousands)				
Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
<b>State Risk Management:</b>				
<b>Liability Fund</b>				
2020-21	27,954	(6,400)	(3,941)	25,495
2019-20	22,076	12,695	6,817	27,954
2018-19	22,399	4,007	4,330	22,076
<b>Workers' Compensation</b>				
2020-21	104,030	25,262	32,496	96,796
2019-20	118,210	16,170	30,350	104,030
2018-19	126,908	22,011	30,709	118,210
<b>Group Benefit Plans:</b>				
2020-21	22,928	293,995	295,862	21,061
2019-20	20,935	262,537	260,544	22,928
2018-19	18,459	246,177	243,701	20,935
<b>University of Colorado:</b>				
<b>General Liability, Property, and Workers' Compensation</b>				
2020-21	17,621	7,530	6,440	18,711
2019-20	19,308	5,520	7,207	17,621
2018-19	16,769	9,512	6,973	19,308
<b>University of Colorado Denver:</b>				
<b>Graduate Medical Education Health Benefits Program</b>				
2020-21	2,502	13,293	14,119	1,676
2019-20	2,832	10,470	10,800	2,502
2018-19	2,689	13,856	13,713	2,832
<b>Medical Malpractice</b>				
2020-21	10,445	3,636	1,830	12,251
2019-20	10,710	943	1,208	10,445
2018-19	9,767	4,377	3,434	10,710

(Continued)		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 State University:				
Medical, Dental, and Disability Benefits and General Liability				
2020-21	37,074	69,799	60,088	46,785
2019-20	34,975	62,265	60,166	37,074
2018-19	30,548	62,504	58,077	34,975
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2020-21	52	77	22	107
2019-20	55	56	59	52
2018-19	78	36	59	55
Colorado School of Mines:				
General Liability, Property, and Workers' Compensation				
2020-21	256	-	-	256
2019-20	256	-	-	256
2018-19	295	-	39	256
Fort Lewis College:				
Workers' Compensation				
2020-21	4	7	4	7
2019-20	6	4	6	4
2018-19	2	4	-	6
General Liability				
2020-21	10	-	10	-
2019-20	11	(1)	-	10
2018-19	-	11	-	11
Colorado Mesa University:				
Workers' Compensation				
2020-21	32	647	574	105
2019-20	52	36	56	32
2018-19	29	42	19	52
General Liability				
2020-21	319	(310)	9	-
2019-20	182	673	536	319
2018-19	36	238	92	182

## NOTE 10 – LEASES AND SHORT-TERM DEBT

### LEASE COMMITMENTS

Management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. Therefore, they are treated as non-cancellable for financial reporting purposes.

At June 30, 2021, the State had the following amounts of assets under capital lease:

	(Amounts in Thousands)		
	Governmental Activities	Business-Type Activities	Total
Gross Capital Assets Under Lease:			
Buildings	\$ 54,936	\$ 64,628	\$ 119,564
Equipment and Other	290,556	32,678	323,234
Total Capital Assets Under Lease, Gross	345,492	97,306	442,798
Less Accumulated Depreciation:			
Buildings	(24,119)	(10,226)	(34,345)
Equipment and Other	(187,514)	(12,484)	(199,998)
Total Accumulated Depreciation	(211,633)	(22,710)	(234,343)
Total Capital Assets Under Lease, Net	\$ 133,859	\$ 74,596	\$ 208,455

At June 30, 2021, expected future minimum sublease rentals relating to operating leases are \$2.1 million for business-type activities, and \$156.0 thousand for governmental activities. No future minimum sublease rentals related to capital leases are expected.

During the fiscal year ended June 30, 2021, the State incurred no contingent rentals related to capital and operating leases.

For Fiscal Year 2021, the State recorded building and land rent of \$97.1 million for governmental activities, \$23.9 million for business-type activities, and \$1,449 for fiduciary activities. The State also recorded equipment and vehicle rental expenditures of \$25.9 million and \$51.0 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded \$3.1 million of capital lease interest costs for governmental activities and \$3.1 million for business-type activities in Fiscal Year 2021.

In Fiscal Year 2021, the State entered into approximately \$23.7 million of capital leases related to the State's fleet management program, which is reported in an internal service fund that does not report capital lease proceeds.

Future minimum payments at June 30, 2021, for existing leases were as follows:

(Amounts in Thousands)

Fiscal Year(s)	Operating Leases		Capital Leases			
	Governmental	Business-Type	Governmental		Business-Type	
	Activities	Activities	Activities		Activities	
			Principal	Interest	Principal	Interest
2022	\$ 56,138	\$ 33,570	\$ 30,538	\$ 3,227	\$ 5,984	\$ 2,780
2023	48,121	25,659	22,732	2,153	5,656	2,603
2024	43,681	22,861	18,495	1,498	4,148	2,433
2025	37,949	20,461	14,216	1,114	3,473	2,271
2026	28,482	18,070	10,706	783	3,150	2,156
2027 to 2031	44,730	52,596	20,939	1,011	17,476	9,211
2032 to 2036	2,365	6,113	372	11	6,408	7,067
2037 to 2041	639	785	-	-	8,028	5,447
2042 to 2046	561	628	-	-	10,056	3,419
2047 to 2051	61	303	-	-	9,845	935
2052 to 2056	61	113	-	-	-	-
2057 to 2061	61	119	-	-	-	-
Thereafter	577	-	-	-	-	-
Total	\$ 263,426	\$ 181,278	\$ 117,998	\$ 9,797	\$ 74,224	\$ 38,322

#### SHORT-TERM DEBT

On August 6, 2020, the State Treasurer issued \$600.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2020A. The notes were due and payable on June 25, 2021, at a coupon rate of 4.000 percent. The total interest related to this issuance was \$21.3 million; however, the notes were issued at a premium of \$20.3 million, resulting in net interest costs (including the cost of issuance) of \$1.3 million and a yield of 0.177 percent. The notes were issued for cash management purposes and were repaid by June 25, 2021, 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 August 4, 2020, the State Treasurer issued \$410.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2020A. The notes were due and payable on June 29, 2021, at a coupon rate of 3.512 percent. The total interest related to this issuance was \$13.0 million; however, the notes were issued at a premium of \$12.3 million, resulting in net interest costs (including cost of issuance) of \$1.0 million or 0.193 percent. The notes matured on June 29, 2021, and were repaid.

On January 28, 2021, the State Treasurer issued \$390.0 million of ETRAN, Series 2020B. The notes were due and payable on June 29, 2021, at a coupon rate of 3.058 percent. The total interest related to this issuance was \$5.0 million; however, the notes were issued at a premium of \$4.9 million, resulting in net interest costs (including cost of issuance) of \$0.2 million or 0.075 percent. The notes matured on June 29, 2021, and were repaid.

On June 5, 2018, the University of Colorado of issued the first tranche of Commercial Paper (CP) in the amount of \$40.0 million with a maturity of September 6, 2018. The Commercial Paper program has been used to fund the Imig Music Building, AMC Health Sciences Building and associated basement remodels. The average interest rate of borrowing from inception of the program through fiscal year end was 1.44 percent. In Fiscal Year 2020, \$155.7 million of commercial paper was retired with permanent financing. On July 2, 2020, the outstanding balance of \$50.0 million was retired with Variable Rate Demand Bond series 2020B1.

On June 20, 2018, the Board of Governors of the Colorado State University System (CSU) authorized the issuance of Commercial Paper Notes (Notes) in the aggregate principal amount not to exceed \$50.0 million as part of the Series A (tax-exempt) and Series B (taxable) issuance. The maturity date of any Notes issued may not exceed two hundred and seventy days from the date of issuance and no maturity may be later than March 1, 2037. Pursuant to

the Bond Resolution, the obligations are payable solely from net revenues paid in portions by both CSU and CSU-Pueblo, as defined in the bond agreement. The Notes are being used to finance certain projects, as determined by the Board, for any of the campuses for which the Board has spending authority. In May 2019, the Board of Governors of the Colorado State University System approved the first amendment to the twelfth supplemental resolution, increasing the aggregate principal amount authorized to be issued from \$50.0 million to \$75.0 million. This increase became effective beginning Fiscal Year 2020. As of June 30, 2021, no action has been taken on the authorized increase of \$25.0 million.

The following schedule shows the changes in short-term financing for the period ended June 30, 2021:

	(Amount in Thousands)			
	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
<b>Governmental Activities:</b>				
Tax Revenue Anticipation Notes	\$ -	\$ 600,000	\$ (600,000)	\$ -
Education Loan Anticipation Notes	-	800,000	(800,000)	-
<b>Total Governmental Activities Short-Term Financing</b>	<b>-</b>	<b>1,400,000</b>	<b>(1,400,000)</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Tax Exempt Commercial Paper	82,500	(31,000)	(1,810)	49,690
<b>Total Business-Type Activities Short-Term Financing</b>	<b>82,500</b>	<b>(31,000)</b>	<b>(1,810)</b>	<b>49,690</b>
<b>Total Short-Term Financing</b>	<b>\$ 82,500</b>	<b>\$ 1,369,000</b>	<b>\$(1,401,810)</b>	<b>\$ 49,690</b>

## NOTE 11 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

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

Collectively, the State’s business-type activities had \$1,738.4 million in available net revenue after operating expenses to meet the \$189.7 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 2021, the State recorded \$266.8 million of interest costs, of which \$137.2 million was recorded by governmental activities and \$129.6 million was recorded by business-type activities. The governmental activities interest cost primarily comprises \$5.4 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, \$16.7 million of interest on Certificates of Participation issued by the Judicial Branch, \$48.4 million of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program and \$1.0 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 \$112.2 million of interest on revenue bonds issued by institutions of higher education, \$2.9 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, and \$14.5 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise. College Assist and the Transportation Enterprise are nonmajor enterprise funds. Annual maturities of notes, bonds, and COPs payable at June 30, 2021, are as follows:

(Amounts in Thousands)

Governmental Activities (Non-Direct Borrowings and Non-Direct Placements)					
Fiscal Year	Certificates of Participation		Totals		
	Principal	Interest	Principal	Interest	
2022	\$ 104,120	\$ 151,391	\$ 104,120	\$ 151,391	
2023	110,805	144,762	110,805	144,762	
2024	203,200	139,216	203,200	139,216	
2025	126,115	133,139	126,115	133,139	
2026	122,540	127,110	122,540	127,110	
2027 to 2031	880,570	524,945	880,570	524,945	
2032 to 2036	861,160	328,154	861,160	328,154	
2037 to 2041	797,610	143,850	797,610	143,850	
2042 to 2046	257,405	27,922	257,405	27,922	
Subtotals	3,463,525	1,720,489	3,463,525	1,720,489	
Unamortized Prem/Discount	436,376	-	436,376	-	
Totals	\$ 3,899,901	\$ 1,720,489	\$ 3,899,901	\$ 1,720,489	



(Amounts in Thousands)

## Governmental Activities (Direct Borrowings and Direct Placements)

Fiscal Year	Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,315	\$ 48	\$ 3,850	\$ 3,167	\$ 6,165	\$ 3,215
2023	-	-	2,920	3,010	2,920	3,010
2024	-	-	3,040	2,857	3,040	2,857
2025	-	-	3,165	2,686	3,165	2,686
2026	-	-	17,835	12,548	17,835	12,548
2027 to 2031	-	-	19,340	8,984	19,340	8,984
2032 to 2036	-	-	17,725	7,537	17,725	7,537
2037 to 2041	-	-	21,925	4,715	21,925	4,715
Subtotals	2,315	48	89,800	45,504	92,115	45,552
Unamortized Prem/Discount	-	-	232	-	232	-
Totals	\$ 2,315	\$ 48	\$ 90,032	\$ 45,504	\$ 92,347	\$ 45,552

(Amounts in Thousands)

## Business-Type Activities (Non-Direct Borrowings and Non-Direct Placements)

Fiscal Year	Revenue Bonds		Mortgages Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 78,234	\$ 122,934	\$ 403	\$ 397	\$ 14,830	\$ 4,777	\$ 93,467	\$ 128,108
2023	116,147	121,028	421	380	15,595	4,017	132,163	125,425
2024	147,749	160,909	439	362	16,395	3,217	164,583	164,488
2025	369,928	152,062	457	344	17,235	2,378	387,620	154,784
2026	178,863	157,696	476	325	18,115	1,495	197,454	159,516
2027 to 2031	829,073	603,919	2,702	1,303	20,850	611	852,625	605,833
2032 to 2036	853,239	418,291	4,859	354	-	-	858,098	418,645
2037 to 2041	741,390	235,025	-	-	-	-	741,390	235,025
2042 to 2046	388,975	103,092	-	-	-	-	388,975	103,092
2047 to 2051	394,034	43,393	-	-	-	-	394,034	43,393
2052 to 2056	120,145	16,661	-	-	-	-	120,145	16,661
2057 to 2061	17,685	442	-	-	-	-	17,685	442
Subtotals	4,235,462	2,135,452	9,757	3,465	103,020	16,495	4,348,239	2,155,412
Unamortized Prem/Discount	252,752	-	-	-	11,587	-	264,339	-
Unaccrued Interest	(2,811)	-	-	-	-	-	(2,811)	-
Totals	\$ 4,485,403	\$ 2,135,452	\$ 9,757	\$ 3,465	\$ 114,607	\$ 16,495	\$ 4,609,767	\$ 2,155,412

(Amounts in Thousands)

## Business-Type Activities (Direct Borrowings and Direct Placements)

Fiscal Year	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 7,104	\$ 8,216	\$ 1,150	\$ 2,046	\$ 2,570	\$ 451	\$ 10,824	\$ 10,713
2023	8,549	7,986	1,108	2,018	2,090	372	11,747	10,376
2024	239,734	7,721	12,201	3,858	2,065	323	254,000	11,902
2025	8,518	5,776	17,356	3,787	2,125	272	27,999	9,835
2026	9,355	5,844	17,280	2,620	2,160	220	28,795	8,684
2027 to 2031	50,095	22,864	54,889	7,680	6,800	336	111,784	30,880
2032 to 2036	54,255	13,765	2,341	145	-	-	56,596	13,910
2037 to 2041	42,900	6,728	219	50	-	-	43,119	6,778
2042 to 2046	23,875	1,683	-	-	-	-	23,875	1,683
2047 to 2051	3,460	56	-	-	-	-	3,460	56
Subtotals	447,845	80,639	106,544	22,204	17,810	1,974	572,199	104,817
Unamortized Prem/Discount	5,031	-	-	-	(14)	-	5,017	-
Unaccrued Interest	-	-	24	-	-	-	24	-
Totals	\$ 452,876	\$ 80,639	\$ 106,568	\$ 22,204	\$ 17,796	\$ 1,974	\$ 577,240	\$ 104,817

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt.

Assuming current interest rates are applied over the term of the debt, at June 30, 2021, the Colorado School of Mines' aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado School of Mines' Interest Rate Swap Agreement				
Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2022	\$ 850	\$ 202	\$ 1,257	\$ 2,309
2023	925	197	1,226	2,348
2024	975	193	1,192	2,360
2025	1,000	185	1,157	2,342
2026	1,050	180	1,121	2,351
2027 to 2031	11,250	743	4,618	16,611
2032 to 2036	14,100	366	2,263	16,729
2037 to 2041	6,035	32	197	6,264
Totals	<u>\$ 36,185</u>	<u>\$ 2,098</u>	<u>\$ 13,031</u>	<u>\$ 51,314</u>

In January 2018, Colorado State University entered into a floating to fixed interest rate swap agreement in connection with the 2015D System Enterprise Revenue Bonds.

Assuming current interest rates are applied over the term of the debt, at June 30, 2021, Colorado State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado State University Interest Rate Swap Agreement				
Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2022	\$ -	\$ 353	\$ 1,256	\$ 1,609
2023	-	354	1,256	1,610
2024	1,005	353	1,251	2,609
2025	1,005	348	1,232	2,585
2026	1,000	341	1,213	2,554
2027 to 2031	12,980	1,561	5,547	20,088
2032 to 2036	17,910	1,087	3,867	22,864
2037 to 2041	13,510	711	2,529	16,750
2042 to 2046	15,785	327	1,162	17,274
2047 to 2050	3,460	12	43	3,515
Totals	<u>\$ 66,655</u>	<u>\$ 5,447</u>	<u>\$ 19,356</u>	<u>\$ 91,458</u>

In Fiscal Year 2020, CSU entered into a floating to fixed interest swap agreement in connection with the 2015A System Enterprise Revenue Bonds. This agreement gives the university the right to enter into a swap agreement on a future date, March 2025.

Assuming current interest rates are applied over the term of the debt, at June 30, 2021, Colorado State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Colorado State University Interest Rate Swap Agreement				
Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2022	\$ -	\$ -	\$ -	\$ -
2023	-	-	-	-
2024	-	4,511	-	4,511
2025	-	4,511	-	4,511
2026	375	4,511	(1,963)	2,923
2027 to 2031	1,990	22,554	(9,953)	14,591
2032 to 2036	7,700	22,218	(10,056)	19,862
2037 to 2041	12,530	20,900	(9,676)	23,754
2042 to 2046	5,370	18,701	(8,635)	15,436
2047 to 2050	41,290	14,730	(6,994)	49,026
2051 to 2055	39,485	4,637	(2,299)	41,823
Totals	\$ 108,740	\$ 117,273	\$ (49,576)	\$ 176,437

In April 2020, Metropolitan State University entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs.

Assuming current interest rates are applied over the term of the debt, at June 30, 2021, Metropolitan State University's aggregate debt service payments and net swap cash payments are reflected in the table below:

(Amounts in Thousands)

Net Debt Service for Metropolitan State University Interest Rate Swap Agreement				
Fiscal Year	Principal	Interest	Interest Rate Swap, Net	Total
2022	\$ -	\$ 732	\$ 1,099	\$ 1,831
2023	1,415	710	1,065	3,190
2024	1,465	687	1,030	3,182
2025	1,535	663	994	3,192
2026	1,590	638	956	3,184
2027 to 2031	8,925	2,775	4,163	15,863
2032 to 2036	10,810	1,983	2,975	15,768
2037 to 2041	13,115	1,022	1,534	15,671
2042 to 2046	7,490	72	108	7,670
Totals	\$ 46,345	\$ 9,282	\$ 13,924	\$ 69,551

The original principal amount of the State's debt disclosed in the above tables is as follows:

Non-Direct Borrowings and Non-Direct Placements (Amounts in Thousands)

	Revenue Bonds	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	\$ -	\$ -	\$ 3,915,818	\$ 3,915,818
Business-Type Activities	5,717,529	12,450	227,990	5,957,969
Total	\$ 5,717,529	\$ 12,450	\$ 4,143,808	\$ 9,873,787

Direct Borrowings and Direct Placements (Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	\$ -	\$ 21,075	\$ 117,420	\$ 138,495
Business-Type Activities	478,105	114,289	34,080	626,474
Total	\$ 478,105	\$ 135,364	\$ 151,500	\$ 764,969

Assets pledged as collateral for debt across state departments and institutions of higher education include the following:

- The Colorado Bureau of Investigations (CBI) Grand Junction Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);
- The CBI Pueblo Regional Office and Forensic Laboratory (related to direct borrowing/direct placement for governmental activities);
- The Colorado Department of Transportation (CDOT) Headquarters (related to non-direct borrowing/non-direct placement for governmental activities) and Regional Office Buildings (related to both non-direct borrowing/non-direct placement and direct borrowing/direct placement for governmental activities);
- The Colorado History Building at 1200 Broadway in Denver (related to related to direct borrowing/direct placement for governmental activities).

Regarding terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses, the following points were noted across state departments and institutions of higher education:

- In each Certificate of Participation (COP), the State has the right to purchase the Leased Property in connection with the defeasance or redemption of all of the Series 201X Certificates, as described in the section of the agreements' State's Purchase Option Price. Upon a nonrenewal of the Lease Term/s by reason of a Lease Event of Default or Lease Event of Nonappropriation, and so long as the State or Sublessee has not exercised its purchase option with respect to all the Leased Property, the State or Sublessee must vacate the Leased Property within 90 days. The Trustee/s may proceed to exercise any remedies available for the benefit of the Owners of the Certificates and may exercise any other remedies available upon default as provided in the Lease, including the sale of or lease of the Trustees' interest under the Site Lease/s (related to direct borrowing/direct placement for governmental activities).
- For Notes Payable, in the event of termination acceleration of payment for debt due (or to be due within that fiscal year) and the relinquishment of the equipment purchased through the energy performance contract measures could occur (related to direct borrowing/direct placement for business-type activities).
- CDOT will take over the payments for the C-470 bonds in the event High Performance Transportation Enterprise (HPTE) is unable to pay (related to non-direct borrowing/non-direct placement for business-type activities). Additionally, for Notes Payable, CDOT would take over debt service payments if HPTE was in default (related to direct borrowing/direct placement for business-type activities).

### **Derivative Instruments**

Colorado School of Mines: In Fiscal Year 2008, the University entered into a floating to fixed interest rate swap agreement (Swap Agreement) in connection with the 2008A issuance. The Swap Agreement was entered into with the objective of protecting against the potential of rising interest rates. The 2008A issuance was refunded with the Series 2010A issuance. The Series 2010A was refunded with the issuance of the Series 2018A Refunding Bonds. The Swap Agreement was not terminated and was associated with the Series 2018A issuance. The Swap Agreement has a notional amount of \$36,185,000 and \$36,760,000 and a fair value of (\$9,645,000) and (\$12,838,000) at June 30, 2021 and 2020, respectively. The Swap Agreement provides for certain payments to or from Morgan Stanley equal to the difference between the fixed rate of 3.59 percent payable by the University and 67 percent of one month USD-LIBOR-BBA, 0.100 percent and 0.166 percent at June 30, 2021 and 2020, respectively, payable by Morgan Stanley. The fair value of the swap is classified as a noncurrent liability and the change in fair value of the swap is classified as a deferred outflow at June 30, 2021 and 2020. On the date of the refunding of the Series 2010A Bonds, the fair market value of the swap was (\$6,998,662) and was included in the calculation of deferred loss on refunding and is being amortized over the life of the Series 2018A Refunding Bonds. Accumulated amortization of the deferred loss as of June 30, 2021 and 2020 was \$2,929,000 and \$2,395,000, respectively. Morgan Stanley, counterparty to the Swap Agreement, determined the fair value as of June 30, 2021 and 2020, using a discounted forecasted cash flows;

however, the actual method and significant assumptions used are proprietary. The Swap Agreement has an effective date of March 5, 2008 and a termination date of December 1, 2038.

There can be risks inherent to interest rate swaps that the University addresses and monitors pursuant to entering into interest rate swap agreements:

- Termination Risk – The need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a swap agreement due to a counterparty default or following a decrease in credit rating. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – The risk that the counterparty will not fulfill its obligations. The University considers the Swap Agreement counterparty's (Morgan Stanley) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2021, Morgan Stanley's credit rating is A1 by Moody's, BBB+ by Standards & Poor's.

For the outstanding Swap Agreement the University has a maximum possible loss equivalent to the swaps' fair value at June 30, 2021 and 2020 related to the credit risk. However, the University was not exposed to this loss because of the negative fair value of the swaps as of June 30, 2021 and 2020. In addition, these agreements required no collateral and no initial net cash receipt or payment by the University.

- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, it is the University's policy that any index used as part of an interest rate swap agreement shall be a recognized market index, including, but not limited to, the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR).

Colorado State University: On January 16, 2018, the System entered into a floating to fixed interest rate swap agreement (2015 D Swap Agreement) in connection with the Series 2015 D System Enterprise Revenue Bonds (Notes from Direct Placements). The 2015 D Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 D Swap Agreement had a notional value of \$66.7 million and a negative fair value of \$8.2 million as of June 30, 2021. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2021. The 2015 D Swap Agreement had a notional value of \$66.7 million and a negative fair value of \$14.9 million as of June 30, 2020. The fair value of the 2015 D Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 D Swap Agreement has an effective date of July 1, 2019 and a termination date of March 1, 2047.

The 2015 D Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.91390 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 D Swap Agreement, determined the fair value as of June 30, 2021 using a discounted forecasted cash flow.

On February 18, 2020, the System entered into a floating to fixed interest rate swap agreement (2015 A Swap Agreement) in connection with the Series 2015 A System Enterprise Revenue Bonds. The 2015 A Swap Agreement was entered into with the objective of protecting against the potential rising of interest rates. The 2015 A Swap Agreement had a notional value of \$108.7 million and a negative fair value of \$646 thousand as of June 30, 2021. The fair value of the 2015 A Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2021. The 2015 A Swap Agreement had a notional value of \$108.7 million and a negative fair value of \$7.7 million as of June 30, 2020. The fair value of the 2015 A Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2020. The 2015 A Swap Agreement has an effective date of March 1, 2025 and a termination date of March 1, 2055.

The 2015 A Swap Agreement provides for certain payments by The Royal Bank of Canada (RBC) equal to the difference between the fixed rate of 1.74250 percent payable by the System and 70 percent of one-month UDS-LIBOR-BBA, payable by RBC. RBC, counterparty to the 2015 A Swap Agreement, determined the fair value as of June 30, 2021 using a discounted forecasted cash flow.

There can be risks inherent to interest rate swaps that the System addressed and monitors pursuant to entering into interest rate Swap Agreements:

- Termination Risk – Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the System. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the System, either through receipt of a payment from a termination, or if a termination payment is made by the System, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – Credit Risk is the risk that the counterparty will not fulfill its obligations. The System considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2021, RBC's credit rating is rated Aa2 by Moody's, AA- by S&P, and AA+ by Fitch.

The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$25.0 million at both parties' current credit rating or \$10.0 million if the parties credit rating falls to A3/A-.

- Basis Index Risk – Basis Index Risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the System. Basis Index Risk can also result from the use of floating, but different, indices.

Metropolitan State University: On September 30, 2020 MSU Denver executed a Novation agreement which transferred the HLC@Metro Inc's floating to fixed interest rate swap agreement (Swap Agreement) with RBC to the University. This was a part of the University's acquisition of most of the HLC's assets and liabilities on June 30, 2020. The Swap Agreement was entered with the objective of protecting against the potential increase of interest rates. The Swap Agreement had a notional value of \$48.7 million and a negative fair value of \$7.1M and \$11.5 million as of June 30, 2021 and 2020, respectively. The fair value of the Swap Agreement was recorded as a noncurrent liability and a deferred outflow of resources as of fiscal year ended June 30, 2021 and 2020. The Swap Agreement has an effective date of September 1, 2020 and a termination date of July 1, 2042.

Pursuant to the interest rate swap, the University will pay RBC a fixed rate of 2.451% per annum. RBC will pay the University 80% of USD-LIBOR-BBA. In addition, the University will pay JPMorgan, as owner of the Series 2020 Bonds, 80% of LIBOR plus 150 basis points. This arrangement will produce an interest rate on the Series 2020 Bonds equal to approximately 3.95% and helps ensure the University can leverage a low interest rate in an otherwise unpredictable market. RBC, the counterparty to the Swap Agreement, determined the fair value as of June 30, 2021 and 2020 using an indicative mid-market valuation.

There can be risks inherent to interest rate swaps that the University addressed and monitors pursuant to entering into interest rate Swap Agreements:

- Termination Risk – Termination Risk is the need to terminate the transaction in a market that dictates a termination payment by the University. It is possible that a termination payment is required in the event of termination of a Swap Agreement due to a counterparty default. In general, exercising the right to optionally terminate an agreement should produce a benefit to the University, either through receipt of a payment from a termination, or if a termination payment is made by the University, a conversion to a more beneficial debt instrument or credit relationship.
- Credit Risk – Credit Risk is the risk that the counterparty will not fulfill its obligations. MSU Denver considers the Swap Agreement counterparty's (RBC) credit quality rating and whether the counterparty can withstand continuing credit market turmoil. As of June 30, 2021, RBC's credit rating is rated Aa2 by

Moody's and AA- by S&P. The Swap Agreement contract contains a credit support annex that allows for collateral to be posted if the market value threshold exceeds \$5.0 million and the credit rating is equal to A3 as rated by Moody's or A- as rated by S&P, or if threshold is zero but the credit ratings are Baa1 as rated by Moody's or BBB+ as rated by S&P.

- Basis Index Risk – Basis Index Risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the University. Basis Index Risk can also result from the use of floating, but different, indices.

**NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**

**Primary Government**

The following table summarizes the changes in long-term liabilities for Fiscal Year 2021:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30	Due Within One Year
		Additions	Reductions		
<b>Governmental Activities</b>					
Deposits Held In Custody For Others	\$ 1,404	\$ 1,344	\$ 9,619	\$ 12,367	\$ 10,588
Accrued Compensated Absences	213,176	34,962	(17,937)	230,201	15,331
Claims and Judgments Payable	198,417	-	(11,943)	186,474	45,135
Capital Lease Obligations	119,822	24,999	(26,823)	117,998	30,538
Certificates of Participation from Direct Borrowings and Direct Placements	322,824	-	(4,282)	318,542	3,850
Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements*	2,805,878	975,709	(110,196)	3,671,391	104,120
Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements	4,585	-	(2,270)	2,315	2,315
Notes, Anticipation Warrants, Mortgages from Non-Direct Borrowings and Direct Placements	-	1	-	1	-
Net Pension Liability	7,804,791	-	(1,930,136)	5,874,655	-
Other Postemployment Benefits	233,180	-	(29,456)	203,724	-
Other Long-Term Liabilities	229,134	20,135	(20,343)	228,926	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>11,933,211</b>	<b>1,057,150</b>	<b>(2,143,767)</b>	<b>10,846,594</b>	<b>211,877</b>
<b>Business-Type Activities</b>					
Deposits Held In Custody For Others	46,825	-	(13,517)	33,308	33,283
Accrued Compensated Absences	426,369	77,262	(38,708)	464,923	31,583
Claims and Judgments Payable	46,441	12,865	(5,773)	53,533	819
Capital Lease Obligations	35,645	46,781	(8,202)	74,224	5,984
Derivative Instrument Liabilities	46,864	-	(21,262)	25,602	-
Bonds Payable from Direct Borrowings and Direct Placements	222,384	471,545	(244,984)	448,945	7,104
Bonds Payable from Non-Direct Borrowings and Non-Direct Placements	4,414,804	462,101	(387,571)	4,489,334	78,234
Certificates of Participation from Direct Borrowings and Direct Placements	18,371	-	(575)	17,796	2,570
Certificates of Participation from Non-Direct Borrowings and Non-Direct Placements*	149,763	-	(35,156)	114,607	14,830
Notes, Anticipation Warrants, Mortgages from Direct Borrowings and Direct Placements	56,226	76,400	(26,058)	106,568	1,150
Notes, Anticipation Warrants, Mortgages from Non-Direct Borrowings and Non-Direct Placements	10,145	-	(388)	9,757	403
Net Pension Liability	3,570,647	-	(200,570)	3,370,077	-
Other Postemployment Benefits	835,859	205,684	-	1,041,543	-
Other Long-Term Liabilities	104,600	65,980	(30,625)	139,955	-
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>9,984,943</b>	<b>1,418,618</b>	<b>(1,013,389)</b>	<b>10,390,172</b>	<b>175,960</b>
<b>Fiduciary Activities</b>					
Deposits Held In Custody For Others	1,863,250	20,315	(1,857,029)	26,536	18,262
Accrued Compensated Absences	139	107	(31)	215	-
Claims and Judgments Payable	22,986	21,061	(22,986)	21,061	21,061
Other Long-Term Liabilities	32	539	(32)	539	-
<b>Total Fiduciary Activities Long-Term Liabilities</b>	<b>1,886,407</b>	<b>42,022</b>	<b>(1,880,078)</b>	<b>48,351</b>	<b>39,323</b>
<b>Total Primary Government Long-Term Liabilities</b>	<b>\$ 23,804,561</b>	<b>\$ 2,517,790</b>	<b>\$ (5,037,234)</b>	<b>\$ 21,285,117</b>	<b>\$ 427,160</b>

\*Beginning balances were restated for FY2021 due to a reclassification of certain COP from Business-Type to Governmental Activities. Refer to Note 15 for additional information.

Liabilities for accrued compensated absences, net pension liabilities, and other postemployment benefits 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, net pension, and OPEB liabilities.

The amounts in the table above for the changes in net pension liability and other postemployment benefits liability are netted and presented as either additions or reductions. See Note 6 for additional information on pensions and Note 7 for additional information on OPEB.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 10. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post-Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business-type activities.



Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See Notes 7 and 9 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

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

## NOTE 13 – DEFEASED DEBT AND POLLUTION REMEDIATION OBLIGATIONS

### DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2021, debt was defeased in both governmental and business-type activities.

At June 30, 2021, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)	
<u>Agency</u>	<u>Amount</u>
Governmental Activities:	
Department of Treasury	\$ 579,425
Business-Type Activities:	
University of Colorado	877,890
Colorado State University	484,410
Colorado Community College System	40,930
Colorado School of Mines	34,000
Fort Lewis College	<u>1,665</u>
Total	<u>\$ 2,018,320</u>

The Board of Regents of the University of Colorado issued \$140.9 million of its Enterprise Revenue Refunding Bonds, Series 2020B2 to partially defease its Enterprise Revenue Refunding Bonds, Series 2007A, 2011A, 2011B, 2012A-1, 2012A-3, 2012B, 2013A, 2014A, 2014B1, 2015A, 2015B, 2015C, 2016A, 2016B1, 2017A1, 2017A2, 2019A, 2019A2, 2019B, and 2019C. The defeased debt had an interest rate of 3.79 percent, and the new debt had an interest rate of 2.56 percent. The remaining term of the debt was 15 years and the estimated debt service cash flows increased by \$56.0 million. The defeasance resulted in an economic gain of \$133,959, and book loss of \$31.2 million that will be amortized as an adjustment of interest expense over the remaining 28 years of the new debt.

The Board of Regents of the University of Colorado issued \$44.5 million of its Enterprise Revenue Refunding Bonds, Series 2021B to partially defease its Enterprise Revenue Refunding Bonds, Series 2011B, 2012A1, 2012A2, 2012A3, 2013B, and 2014A1. The defeased debt had an interest rate of 3.62 percent, and the new debt had an interest rate of 1.22 percent. The remaining term of the debt was 8 years and the estimated debt service cash flows decreased by \$1.6 million. The defeasance resulted in an economic gain of \$1.5 million, and book loss of \$2.8 million that will be amortized as an adjustment of interest expense over the remaining 8 years of the new debt.

The Board of Governors of Colorado State University issued \$230.0 million of its System Enterprise Revenue Refunding Bonds Taxable, Series 2020A to partially defease its System Enterprise Revenue Bonds Series 2010B, 2012A, 2013D, 2013E, 2015B, 2015E-2, 2015F, 2016A, and 2018A, and System Enterprise Revenue Refunding Bonds Series 2012B, 2013A, 2015C, 2016B, 2017A, 2017B, 2017D, 2017E, 2017F, 2019A, and 2019B. The defeased debt had an interest rate of 4.20 percent, and the new debt had an interest rate of 2.66 percent. The remaining term of the debt was 2 years and the estimated debt service cash flows increased by \$114.4 million. The defeasance resulted in an economic loss of \$34.8 million, and book loss of \$103.4 million that will be amortized as an adjustment of interest expense over the remaining 29 years of the new debt.

The Board of Governors of Colorado State University issued \$115.0 million of its System Enterprise Revenue Refunding Bonds Taxable, Series 2021A to partially defease its System Enterprise Revenue Refunding Bonds Taxable, Series 2020A. The defeased debt had an interest rate of 0.51 percent, and the new debt had an interest rate

of 0.72 percent. The remaining term of the debt was 2 years and the estimated debt service cash flows decreased by \$1.9 million. The defeasance resulted in an economic gain of \$2.4 million and, no book loss/gain.

The Board of Governors of Colorado State University issued \$115.0 million of its System Enterprise Revenue Refunding Bonds Taxable, Series 2021B to partially defease its System Enterprise Revenue Refunding Bonds Taxable, Series 2020A. The defeased debt had an interest rate of 0.51 percent, and the new debt had an interest rate of 0.72 percent. The remaining term of the debt was 2 years and the estimated debt service cash flows decreased by \$1.9 million. The defeasance resulted in an economic gain of \$2.4 million, and no book loss/gain.

The Board of Trustees of Fort Lewis College issued \$5.0 million of its Enterprise Refunding Revenue Bonds – Tax-Exempt Series 2020A-1 and 2020B-1 and Enterprise Refunding Revenue Bonds – Taxable Series 2020A-2 and 2020B-2 to partially defease its Enterprise Refunding Revenue Bonds – Series 2016A and 2016B and Enterprise Revenue Bonds – Series 2016C. The defeased debt had an interest rate of 3.25 percent, and the new debt had an interest rate of 3.00 percent. The remaining term of the debt was 18 years and the estimated debt service cash flows increased by \$1.5 million. The defeasance resulted in an economic loss of \$494,927, and book loss of \$1.9 million that will be amortized as an adjustment of interest expense over the remaining 18 years of the new debt.

The Colorado Department of Transportation issued \$19.1 million of its Second Amended and Restated Headquarters Facilities Lease Purchase Agreement Refunding Certificates of Participation, Series 2020 to partially defease its Headquarters Facilities Lease Purchase Agreement Certificates of Participation, Series 2016. The defeased debt had an interest rate of 5.00 percent, and the new debt had an interest rate of 4.00 percent. The remaining term of the debt was 20 years and the estimated debt service cash flows decreased by \$10.1 million. The defeasance resulted in an economic gain of \$295,571, and book gain of \$460,640 that will be amortized as an adjustment of interest expense over the remaining 20 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.

The State’s total amount of pollution remediation obligations as of June 30, 2021 was \$209.7 million, of which \$4.5 million is a current liability. Individually significant pollution remediation obligations are disclosed below:

- The Department of Public Health & Environment recorded a liability for remediation activities in the Clear Creek Basin of approximately \$87.2 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a water treatment plant. Current operating and maintenance costs are estimated at \$1.5 million beginning in Fiscal Year 2022, increasing to approximately \$2.6 million in Fiscal Year 2029, with a projected annual increase of 2 percent thereafter. The department shares the remaining costs to complete the remediation projects with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years. After this time, the State assumes 100 percent of the operating

and maintenance costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- The Department of Public Health & Environment recorded a liability for remediation activities at the Summitville Mine of approximately \$91.9 million related to the operation of a water treatment plant. The mine is located in the San Juan Mountains, surrounded by the Rio Grande National Forest. The operating and maintenance costs of the treatment plant are to be shared with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA through Fiscal Year 2022. Beginning in Fiscal Year 2023, the State will assume 100 percent of the operating costs of the treatment plant, with a projected total cost of approximately \$2.0 million per year, with a projected annual increase of 2 percent thereafter. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2021, the State has \$2.6 million in recoveries funded from other responsible parties.
- The Department of Public Health & Environment recorded a liability for remediation activities at the Captain Jack Mill located at the headwaters of the Left Hand Creek Watershed in the mountains west of Boulder of approximately \$9.5 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study, which includes construction of a capping mine waste tunnel plug. Construction cost estimates of approximately \$0.2 million in Fiscal Year 2022 and 2023 for the project's completion. In Fiscal Year 2024, a sulfate reducing bioreactor is estimated to be completed with a projected cost of \$0.2 million. Upon completion, the State's 10% share of O&M will commence in Fiscal Year 2025. Annual ongoing projected costs for subsurface remedy average \$0.1 million per year until Fiscal Year 2035, when the State assumes 100% share of O&M, and projected costs increase to \$0.4 million per year, with a 2 percent projected annual increase thereafter. Periodic maintenance for the surface remedy is projected to start in Fiscal Year 2023 at a cost of approximately less than \$0.1 million, with a 2 percent projected annual increase thereafter. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- The Department of Public Health & Environment recorded a liability for remediation activities at the Bonita Peak Mining District site is located near Silverton, Colorado for approximately \$6.0 million. The Bonita Peak Mining District is within the Mineral Creek, Cement Creek, and the Upper Animas River drainages. The site consists of 48 historic mines or mining-related sources where ongoing releases of metal-laden water and sediments occur within Mineral Creek, Cement Creek, and the Upper Animas. An interim record of decision (IROD) establishes a site-wide repository for disposing of site-related mine waste from remedial action cleanups, sludge generated at the water treatment plant, and waste from future water treatment operations. The projected five-year costs are \$0.1 million per year for the first four years with a \$1.0 million projected cost in Fiscal Year 2026. The site-wide repository is estimated at \$0.3 million per year for a five-year period ending in Fiscal Year 2027. The State's share of O&M is not projected to start until Fiscal Year 2028, where projected annual costs are \$0.1 million, with a 2% annual increase thereafter. Approximately 20 of the 48 sites do not have viable responsible parties. Therefore, these sites will likely be

addressed using a fund-financed remedial action of 90% EPA and 10% State, at which time the State's share will increase. As of June 30, 2021, the State has \$0.3 million in recoveries funded from other responsible parties.

- The Nelson Tunnel is a former mining site outside of Creede, CO, which has a large waste pile. Runoff from this pile adversely affects the Rio Grande River via Willow Creek. While a portion of the project is reasonably estimable, the State cannot estimate a majority of the project costs. The water treatment component of the project has historically been included as a presumptive remedy. However, no decision document has been executed that would require water treatment. Although the State believes there will be associated water treatment costs in the future, these costs won't be included in the projection until there is an idea of what the remedy and long-term operating/maintenance costs are. Any long-term remedies are dependent on the initial assessment and monitoring procedures. Additionally, once a long-term remedy is identified, the Department will negotiate with the EPA to determine which entity is responsible for what share of the costs (typically 90% federal, 10% state).

**NOTE 14 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflows of resources represent a consumption of assets by the entity that is applicable to a future reporting period, and deferred inflows of resources represent an acquisition of assets by the entity that is applicable to a future reporting period. The table below provides information about amounts reported as deferred outflows/inflows on the *Statement of Net Position* as of June 30, 2021.

(Amounts in Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Asset Retirement Obligations	\$ -	\$ 586	\$ 586
Refunding Losses	29,319	220,451	249,770
Derivatives	-	20,230	20,230
Other	4,847	36	4,883
Other Post Employment Benefits	26,511	200,554	227,065
Pensions	1,594,218	467,520	2,061,738
	<u>1,654,895</u>	<u>909,377</u>	<u>2,564,272</u>
<b>Deferred Inflows of Resources:</b>			
Refunding Gains	438	710	1,148
Nonexchange Transactions	-	3	3
Other	17,390	2,050	19,440
Unavailable Revenue	795	-	795
Service Concession Arrangements	-	127,834	127,834
Other Post Employment Benefits	71,689	272,798	344,487
Pensions	3,441,421	856,690	4,298,111
	<u>\$ 3,531,733</u>	<u>\$ 1,260,085</u>	<u>\$ 4,791,818</u>

**NOTE 15 – NET POSITION AND FUND BALANCE**

**PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES TO NET POSITION**

**A. PRIOR PERIOD ADJUSTMENTS**

Fund balances and net position at July 1, 2020 have been increased (decreased) as follows in order to correct errors:

<u><b>GOVERNMENTAL ACTIVITIES</b></u>	(Dollars in Thousands)
<b>Nonmajor Governmental Funds</b>	
<b>Debt Service</b>	
To report debt service benefiting institutions of higher education with governmental activities.	\$ (3,482)
<b>Regular Capital Projects</b>	
To report capital projects benefiting institutions of higher education with governmental activities.	71,930
<b>Labor</b>	
Department of Public Safety, correction to personal protective equipment inventory	<u>(28,728)</u>
<b>Total Nonmajor Governmental Funds</b>	39,720
<b>Government-wide Reconciling Items</b>	
<b>General Full Accrual Account Group</b>	
Colorado State University, National Western Complex Certificates of Participation	(129,073)
University of Colorado, Fitzsimons Certificates of Participation	(107,377)
Department of Natural Resources, Public Lands Division accumulated depreciation	<u>164</u>
<b>Total Government-wide Reconciling Items</b>	<u>(236,286)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (196,566)</u></b>
 <u><b>BUSINESS-TYPE ACTIVITIES</b></u>	
<b>Major Enterprise Funds</b>	
<b>Higher Education Institutions</b>	
To report debt service, capital projects, and long-term liabilities benefiting institutions of higher education as a governmental activity.	\$ 168,003
<b>Healthcare Affordability</b>	
Reclassify committed healthcare expense funds to cash fund.	13,671
<b>Other Enterprises</b>	
Reclassify CollegeInvest private-purpose trust fund to enterprise fund	<u>15</u>
<b>Total Major Enterprise Funds</b>	<u>181,689</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$ 181,689</u></b>
 <u><b>FIDUCIARY ACTIVITIES</b></u>	
<b>Private-Purpose Trust Funds</b>	
<b>Department of Higher Education</b>	
To reclassify CollegeInvest funds to business type activity	\$ (15)
<b>Total Private-Purpose Trust Funds</b>	<u>(15)</u>
<b>TOTAL FIDUCIARY ACTIVITIES</b>	<b><u>\$ (15)</u></b>

**B. ACCOUNTING CHANGES**

Fund balance, net position, and fiduciary net position at July 1, 2020 have been increased (decreased) as follows in order to implement the requirements of GASB Statement No. 84 – Fiduciary Activities. Net position at July 1, 2020 for discretely presented component units was restated for the purpose as noted in the Component Unit section below.

<u><b>GOVERNMENTAL ACTIVITIES</b></u>	(Dollars in Thousands)	
<b>Nonmajor Governmental Funds</b>		
<b>Debt Service</b>		
Department of Treasury	\$ 15,078	
<b>Environment and Health Protection</b>		
Department of Public Health and Environment	47	
<b>Other Special Revenue</b>		
Department of Law	4,533	
Department of Treasury	<u>204</u>	
<b>Total Other Special Revenue</b>	<u>4,737</u>	
<b>Total Nonmajor governmental Funds</b>		19,862
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 19,862</u></u>
<u><b>BUSINESS-TYPE ACTIVITIES</b></u>		
<b>Major Enterprise Funds</b>		
<b>Higher Education Institutions</b>		
Colorado School of Mines	\$ 95	
Metropolitan State University of Denver	<u>179</u>	
<b>Total Enterprise Funds - Major</b>		274
<b>Enterprise Funds - Non-Major</b>		
<b>Other Enterprise Activities</b>		
Department of Agriculture	<u>331</u>	
<b>Total Enterprise Funds - Non-Major</b>		<u>331</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>		<u><u>\$ 605</u></u>
<u><b>FIDUCIARY ACTIVITIES</b></u>		
<b>Fiduciary Funds</b>		
<b>Pension and Other Employee Benefit Trust Funds</b>		
Department of Higher Education	\$ 58,942	
<b>Private-Purpose Trust Funds</b>		
Department of Higher Education	(15,078)	
Department of Treasury	(204)	
Other Non-Major Departments	<u>11,038</u>	
<b>Total Private-Purpose Trust Funds</b>		(4,244)
<b>Custodial Funds</b>		
Department of Corrections	3,751	
Department of Higher Education	(35)	
Department of Human Services	28,022	
Judicial	64,761	
Department of Labor and Employment	10,881	
Department of Law	146	
Dept of Natural Resources	74,087	
Dept of Regulatory Agencies	61	
Department of Revenue	403,629	
Department of Treasury	<u>177,588</u>	
<b>Total Custodial Funds</b>		<u>762,891</u>
<b>TOTAL FIDUCIARY ACTIVITIES</b>		<u><u>\$ 817,589</u></u>



**COMPONENT UNITS****Nonmajor Other Component Units****HLC @ Metro**

HLC@Metro is no longer included as a discretely presented component unit. The basis for inclusion was the State's guarantee of HLC@Metro's bonded debt. HLC@Metro's bonds were defeased, thereby relieving the State of its guarantee and financial accountability.

	\$ 467	
<b>Total Nonmajor Other Component Units</b>		<u>467</u>
<b>TOTAL COMPONENT UNITS</b>		<u>\$ 467</u>

**C. FUND BALANCE**

On the *Balance Sheet – Governmental Funds*, the fund balance is comprised of the following (refer to Note 1 for additional information):

(Dollars in Thousands)

	<u>Restricted Purposes</u>	<u>Committed Purposes</u>	<u>Assigned Purposes</u>
<b>GENERAL FUND</b>			
General Government	\$ 331,761	\$ 886,867	\$ 123,036
Business, Community and Consumer Affairs	-	170,080	-
Education	278,018	171,938	-
Health and Rehabilitation	-	6,324	-
Justice	-	4,637	-
Natural Resources	-	398	-
Social Assistance	-	47,418	-
Transportation	-	-	-
<b>TOTAL</b>	<u>\$ 609,779</u>	<u>\$ 1,287,662</u>	<u>\$ 123,036</u>
<b>FEDERAL SPECIAL REVENUE</b>			
General Government	4,340	-	-
Business, Community and Consumer Affairs	932	-	-
Education	4	-	-
Health and Rehabilitation	5,852	-	-
Justice	153	-	-
Social Assistance	92	-	-
<b>TOTAL</b>	<u>\$ 11,373</u>	<u>\$ -</u>	<u>\$ -</u>
<b>HIGHWAY USERS TAX</b>			
General Government	\$ 69,664	\$ 33,848	\$ -
Health and Rehabilitation	1,350	-	-
Justice	2,498	1,468	-
Natural Resources	496	-	-
Transportation	605,404	13,729	-
<b>TOTAL</b>	<u>\$ 679,412</u>	<u>\$ 49,045</u>	<u>\$ -</u>
<b>OTHER GOVERNMENTAL FUNDS</b>			
General Government	\$ 138,906	\$ 2,166,002	\$ -
Business, Community and Consumer Affairs	74,098	593,063	-
Education	731,538	134,006	-
Health and Rehabilitation	21,076	89,236	-
Justice	5	267,057	-
Natural Resources	20,465	1,119,477	-
Social Assistance	-	317,733	-
Transportation	-	99,185	-
<b>TOTAL</b>	<u>\$ 986,088</u>	<u>\$ 4,785,759</u>	<u>\$ -</u>

## D. STABILIZATION ARRANGEMENTS

### Restriction on State Appropriations – General Fund Reserve

In accordance with Section 24-75-201.1(1)(d) C.R.S., state general fund appropriations are limited in order to maintain sufficient available budgetary fund balance (the reserve) for the General Fund - General Purpose Revenue Component. For the fiscal year ended June 30, 2021, the required reserve is calculated as two and eighty-six one-hundredths percent of General Purpose Revenue Fund appropriations less exceptions pursuant to Section 24-75-201.1(2) C.R.S. Section 24-75-201.5(1)(a) C.R.S. further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. As of June 30, 2021, on a legal budgetary basis the reserve was \$314.0 million. Refer to the Budgetary Comparison Schedule General Fund – General Purpose Revenue Component, and to Note RSI-4 for additional information.

### Emergency Reserve

Senate Bill (SB) 21-227 established the State Emergency Reserve Cash Fund effective with the State's fiscal year ended June 30, 2021. SB 21-227 required a transfer of \$101.0 million from the General Purpose Revenue Component of the General Fund and a transfer of \$100.0 million from the Controlled Maintenance Trust Fund to the State Emergency Reserve Cash Fund. The State Emergency Reserve Cash Fund is reported as the Emergency Reserve component of the State's General Fund. Refer to the Combining Balance Sheet – General Fund Components and to the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund Components for additional information. The Emergency Reserve was \$201.0 million at June 30, 2021. The Emergency Reserve shall not be expended or appropriated for any purpose other than for an emergency declared by the Governor pursuant to 24-33.5-704(4). Refer to Note RSI-4 for additional information.

## E. MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances, boards and committees have fiscal policy and/or rulemaking authority. No minimum fund balances were established under this type of authority for Fiscal Year 2021.

## F. NET POSITION DEFICITS

The following table shows deficit net position balances for individual nonmajor funds. See Note 2 for information regarding statutory spending violations and over expenditures.

	(In Thousands)	
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
State Lottery	\$ (19,443)	\$ -
Correctional Industries	(24,134)	-
State Nursing Homes	(42,312)	-
Petroleum Storage Tank	(3,866)	-
Central Services	-	(5,476)
Information Technology	-	(211,218)
Capitol Complex	-	(5,569)
Highways	-	(1,458)
Administrative Courts	-	(10,413)
Legal Services	-	(69,438)
Other Internal Service Funds	-	(1,679)
	<u>\$ (89,755)</u>	<u>\$ (305,251)</u>

## NOTE 16 – INTERFUND TRANSACTIONS

### INTERFUND BALANCES

Interfund balances at June 30, 2021, consisted of the following:

(DOLLARS IN THOUSANDS)	DUE FROM					
	General	Highway Users Tax	Other Governmental Funds	Higher Education Institutions	Healthcare Affordability	Transportation Enterprise
<b>DUE TO</b>						
General	\$ -	\$ 193	\$ 49,530	\$ 432	\$ 22,618	\$ -
Highway Users Tax	68	-	573	-	-	12,950
Other Governmental Funds	21,891	211	-	-	-	-
Higher Education Institutions	19,663	89	28,975	-	-	-
Unemployment Insurance	92	-	-	-	-	-
Other Enterprises	-	-	-	706	-	-
Internal Service Funds	288	7	-	-	-	-
Pension and Other Employee Benefit Trust	7	-	2	1,609	-	-
Private Purpose Trust	-	-	-	-	-	-
Custodial	-	-	-	-	-	-
<b>Total</b>	<b>\$ 42,009</b>	<b>\$ 500</b>	<b>\$ 79,080</b>	<b>\$ 2,747</b>	<b>\$ 22,618</b>	<b>\$ 12,950</b>

(DOLLARS IN THOUSANDS)	DUE FROM					
	Unemployment Insurance	Other Enterprises	Internal Service Funds	Private Purpose Trust	Custodial	Total
<b>DUE TO</b>						
General	\$ -	\$ 26,379	\$ 813	\$ -	\$ -	\$ 99,965
Highway Users Tax	-	-	124	-	-	13,715
Other Governmental Funds	17,547	16,961	-	-	120	56,730
Higher Education Institutions	-	251	-	-	-	48,978
Unemployment Insurance	-	-	-	-	-	92
Other Enterprises	-	8,548	-	7	-	9,261
Internal Service Funds	285	304	-	-	-	884
Pension and Other Employee Benefit Trust	-	-	-	-	-	1,618
Private Purpose Trust	-	15,194	-	-	-	15,194
Custodial	-	6,764	-	-	-	6,764
<b>Total</b>	<b>\$ 17,832</b>	<b>\$ 74,401</b>	<b>\$ 937</b>	<b>\$ 7</b>	<b>\$ 120</b>	<b>\$ 253,201</b>

Interfund balances represent amounts owed between funds at the end of the fiscal year. They occur when there are timing differences between when transactions are recognized and when the related cash payments are made. They also occur when loans are made between funds.

The balance of \$49.5 million due from Other Governmental Funds to the General Fund consists primarily of \$44.7 million due from the Gaming Fund.

Other Governmental Funds owed Higher Education Institutions \$29.0 million. \$27.8 million of the balance was due from the Capital Projects Fund for the reimbursement of capital expenditures related to the National Western Center complex.

The \$26.4 million due to the General Fund from Other Enterprises primarily consists of amounts owed from the State Lottery Fund as of June 30, 2021 for distributions related to the fourth quarter of Fiscal Year 2021 that were made in Fiscal Year 2022.

The Healthcare Affordability Fund had a payable to the General Fund of \$22.6 million. This amount represents Medicaid payments to providers in Fiscal Year 2021 for which the State was reimbursed in Fiscal Year 2022 due to the timing of the receipt of federal monies into the Healthcare Affordability Fund.

The General Fund owed Other Governmental Funds \$21.9 million. \$15.0 million of this was owed to the Just Transition Cash Fund, which is reported in the Labor Fund, for a transfer prescribed by House Bill 21-1290.

Of the \$19.7 million owed from the General Fund to Institutions of Higher Education, \$7.6 million was due from the Department of Higher Education for various purposes. An additional \$7.5 million was due to Colorado State University to mitigate the risk of wildfire as prescribed by Senate Bill 21-258.

Other Governmental Funds report an internal receivable of \$17.5 million from the Unemployment Insurance Fund. This amount represents Fiscal Year 2021 revenue in the Labor Fund for which cash was transferred in Fiscal Year 2022.

Other Governmental Funds report an internal receivable of \$17.0 million from Other Enterprises. Most of this balance, \$15.5 million, reflects outstanding loans payable from the Parks and Wildlife Fund to the Resource Extraction Fund that are not expected to be repaid within one year.

The \$13.0 million owed from the Transportation Enterprise Fund to the Highway Users Tax Fund represents loans within the Colorado Department of Transportation and are not expected to be paid within one year.

## INTERFUND TRANSFERS

Interfund transfers for Fiscal Year 2021, consisted of the following:

TRANSFER FROM						
(DOLLARS IN THOUSANDS)	General	Federal Special Revenue	Highway Users Tax	Other Governmental Funds	Higher Education Institutions	Healthcare Affordability
<b>TRANSFER TO</b>						
General	\$ -	\$ 191	\$ 20,834	\$ 718,835	\$ 53,153	\$ 16,491
Highway Users Tax	35,020	-	-	319,606	-	-
Other Governmental Funds	1,261,857	-	74,453	142,853	-	-
Higher Education Institutions	260,038	-	-	226,039	-	-
Other Enterprises	31,972	-	-	1,179	-	-
Internal Service Funds	415	-	-	964	-	-
Pension and Other Employee Benefit Trust	-	-	-	1,247	-	-
<b>Total</b>	<b>\$ 1,589,302</b>	<b>\$ 191</b>	<b>\$ 95,287</b>	<b>\$ 1,410,723</b>	<b>\$ 53,153</b>	<b>\$ 16,491</b>

TRANSFER FROM						
(DOLLARS IN THOUSANDS)	Unemployment Insurance	Other Enterprises	Internal Service Funds	Pension and Other Employee Benefit Trust	Private Purpose Trust	Total
<b>TRANSFER TO</b>						
General	\$ -	\$ 83,678	\$ 7,342	\$ 89	\$ 19	\$ 900,632
Highway Users Tax	-	-	-	-	-	354,626
Other Governmental Funds	508	1,756	84	-	-	1,481,511
Higher Education Institutions	-	-	-	-	-	486,077
Other Enterprises	-	21,539	-	-	-	54,690
Internal Service Funds	-	-	381	-	-	1,760
Pension and Other Employee Benefit Trust	-	-	-	-	-	1,247
<b>Total</b>	<b>\$ 508</b>	<b>\$ 106,973</b>	<b>\$ 7,807</b>	<b>\$ 89</b>	<b>\$ 19</b>	<b>\$ 3,280,543</b>

As a normal order of business, the General Assembly appropriates a large number of transfers between funds to allocate the State's resources to support programs across the State government.

The \$1,261.9 million transferred from the General Fund to Other Governmental Funds includes \$260.7 million to the Home- and Community-Based Services Improvement Fund, an Other Special Revenue Fund, as directed by Senate Bill 21-286. In addition, \$186.1 million of Marijuana Sales Tax Revenues was transferred the Marijuana Tax Cash Fund, an Other Special Revenue Fund, as directed by Senate Bill 17-267.

Transfers from Other Governmental Funds to the General Fund totaled \$718.8 million. The largest of these transfers is \$137.0 million from the Retail Marijuana Excise Tax Fund, an Other Special Revenue Fund, as directed by House Bill 20-1401.

There were \$319.6 million of transfers from Other Governmental Funds to the Highway Users Tax Fund. This primarily consists of \$317.3 million transferred from the Capital Projects Fund and relate to projects funded by the State of Colorado Rural Colorado Certificates of Participation.

General Fund transfers to Higher Education Institutions totaled \$260.0 million. The majority of these transfers, \$167.0 million, were for student financial aid.

\$226.0 million is reported as transfers from Other Governmental Funds to Higher Education Institutions. This amount is comprised primarily of \$187.6 million of transfers from the Capital Projects Fund.

## **NOTE 17 – PLEDGED REVENUE AND DONOR RESTRICTED ENDOWMENTS**

### **PLEDGED REVENUE**

Various institutions of higher education and the Department of Transportation have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2021, the following pledges were in place:

The Department of Transportation Statewide Bridge Enterprise pledged \$111.6 million (gross) of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2011 and has a final maturity date of Fiscal Year 2046. The pledged revenue represents 100 percent of the revenue stream, and \$524.1 million of the pledge commitment remains outstanding.

The Department of Transportation High-Performance Transportation Enterprise pledged \$2.9 million (gross) of C-470 Express Lanes Senior Revenue Bonds to meet the current year interest payments on debt issued for the cost of designing, engineering, developing and constructing an Express Lanes project on a portion of C-470, widening and replacing adjacent general purpose lanes and rehabilitating or reconstructing related bridges. The debt was originally issued in Fiscal Year 2018 and has a final maturity date of Fiscal Year 2057. The pledged revenue represents 100 percent of the revenue stream, and \$409.6 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 \$78.3 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was issued in Fiscal Year 2007 and has a final maturity date of Fiscal Year 2051. The pledged revenue represents approximately 77.5 percent of the revenue stream, and \$2.5 billion of the pledge (principal and interest) remains outstanding.
- \$154.0 million (net) pledged by Colorado State University to secure \$5.1 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2011 and has a final maturity date of Fiscal Year 2055. The pledged revenue represents 59.2 percent of the total revenue stream, and \$1.7 billion of the pledge (principal and interest) remains outstanding.
- \$53.8 million (net) pledged by the Colorado School of Mines to secure \$20.4 million of current principal and interest on debt issued to finance or refinance the construction, acquisition, improvement, renovation, and equipment for certain facilities and complete qualified conservation improvement projects. The debt issuances had an earliest origination date of Fiscal Year 1999 and furthest maturity date of Fiscal Year 2048. The pledged revenue represents approximately 75.9 percent of the revenue stream, and \$420.9 million of the pledge (principal and interest) remains outstanding.

- \$40.6 million (gross) pledged by Metropolitan State University of Denver to secure \$10.2 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 \$199.1 million of the pledge (principal and interest) remains outstanding.
- \$29.2 million (net) pledged by Colorado Mesa University to secure \$14.5 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2010 and has a final maturity date of Fiscal Year 2049. The pledged revenue represents approximately 55.2 percent of the revenue stream and \$330.8 million of the pledge (principal and interest) remains outstanding.
- \$37.1 million pledged by the University of Northern Colorado to secure \$10.5 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The debt issuances had an earliest origination date of Fiscal Year 2014 and furthest maturity date of Fiscal Year 2046. The pledged revenue represents 52.5 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. \$192.4 million of the pledge (principal and interest) remains outstanding.
- \$5.5 million pledged by the Auraria Higher Education Center to secure \$5.5 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 2.2 percent of the net and 100 percent of the gross auxiliary revenue stream. \$62.5 million of the pledge (principal and interest) remains outstanding.
- \$9.6 million (net) pledged by the Western State Colorado University to secure \$7.2 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The debt issuances had an earliest origination date of Fiscal Year 2010 and furthest maturity date of Fiscal Year 2045. The pledged revenue represents 37.8 percent of the revenue stream, and \$150.5 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	\$ 2,207,833	\$ (586,621)	\$ 1,621,212	\$ 84,250	\$ 80,160	\$ 164,410
Statewide Bridge Enterprise	111,572	-	111,572	-	17,181	17,181
High Performance Transportation Enterprise	2,879	-	2,879	-	8,090	8,090
	<u>\$ 2,322,284</u>	<u>\$ (586,621)</u>	<u>\$ 1,735,663</u>	<u>\$ 84,250</u>	<u>\$ 105,431</u>	<u>\$ 189,681</u>

## 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 \$27.6 million.

The University of Colorado reported net appreciation on endowment investments of \$18.8 million that was available for spending. The University reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the Statement of Net Position – Proprietary Funds. The University spends its investment income in accordance with the University of Colorado Foundation’s established spending policy.

The Colorado School of Mines reported \$4.6 million of net appreciation on endowment investments that was available for spending. The School reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the Statement of Net Position – Proprietary Funds. The School has an authorized spending rate of 4.25% of the rolling 36-month average market value of the endowment investments.

Colorado State University reported net appreciation on endowment investments of \$4.2 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 as authorized by the University’s President.

## **NOTE 18 – RELATED PARTIES**

### **RELATED ORGANIZATIONS**

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

- Colorado Agricultural Development Authority
- Colorado Beef Council Authority
- Colorado Educational and Cultural Facilities Authority
- Colorado Health Benefit Exchange
- Colorado Health Facilities Authority
- Colorado Housing and Finance Authority
- Colorado New Energy Improvement District
- Colorado Sheep and Wool Authority
- Fire and Police Pension Association
- Pinnacle Assurance
- The State Board of the Great Outdoors Colorado Trust Fund
- Venture Capital Authority

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

### **RELATED PARTY TRANSACTIONS**

The Colorado Housing & Finance Authority (CHFA) provides administrative services while serving as a fiscal agent for small business programs to provide relief to business that are affected by COVID-19, helps businesses that typically struggle to get access to a bank loan, and programs that promote energy efficiency and renewable energy in Colorado. The State paid a total of \$27.4 million to CHFA for the administration of these programs during Fiscal Year 2021.

The University of Colorado Health (UCHealth) is a legal entity separate from the University of Colorado. Faculty members of the University's School of Medicine perform a majority of their clinical practice and clinical training at UCHealth. The clinical revenue for these clinical services provided by the University's faculty is collected by University Physicians Inc., d/b/a CU Medicine, a blended component unit of the State. The University enters into contracts with UCHealth to support the University's educational mission. During Fiscal Year 2021, UCHealth paid the University \$87.5 million, and the University paid UCHealth \$12.5 million. At June 30, 2021, the University had accounts receivable from UCHealth of \$3.8 million, and \$0.2 million of accounts payable to UCHealth.

The State Board of the Great Outdoors Colorado (GOCO) Trust Fund is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2021, the Board awarded \$81.8 million to the Division of Parks and Wildlife at the Department of Natural Resources. At June 30, 2021, the amount the Division spent on GOCO grants was \$38.6 million, and GOCO owed the Department of Natural Resources \$14.4 million. Additionally, the GOCO Trust Fund is reported as a fiduciary fund in the State's financial statements. The Department of Treasury recorded deposits of \$84.3 million and



disbursements of \$77.2 million in the GOCO Trust Fund, and the Trust Fund had an ending cash balance of \$81.6 million as of June 30, 2021.

The Colorado Health Benefit Exchange, operating as Connect for Health Colorado, operates the State's health insurance marketplace. During Fiscal Year 2021, the Colorado Health Benefit Exchange received \$9.2 million in payments from the State for eligibility determinations and system changes.

The Colorado Beef Council Authority oversees the sale of cattle in Colorado and imported beef and beef products. Statute requires the Brand Board within the Department of Agriculture to collect a fee up to \$1 on each head of cattle inspected and remit it to the Colorado Beef Council Authority. In return for collecting and administering the fee, 3 percent is paid back to the Brand Board. During Fiscal Year 2021, the Brand Board paid \$3.3 million to the Colorado Beef Council Authority, and the Colorado Beef Council Authority paid \$0.1 million to the Brand Board.

## NOTE 19 – COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

On August 24, 2017, Keiwi Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the \$1.2 billion project. On November 22, 2017, Colorado Bridge Enterprise (CBE) and the HPTE Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project that included CBE issuing \$120.8 million of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling \$416.0 million. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to occur in 2022.

### SERVICE CONCESSION ARRANGEMENTS

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

The commercial close of the concession arrangement transferred from HPTE to PRD the operations, maintenance, and revenues related to the existing I-25 High Occupancy Toll (HOT) lanes and the U.S. 36 Phase I project once completed in July 2015. Additionally, PRD assumed HPTE's 50-year \$54 million TIFIA loan at the completion of U.S. 36 Phase I. PRD also financed, designed, and constructed U.S. 36 Phase II. Once completed in March 2016, PRD transferred the Phase II capital asset with an acquisition value of \$88.7 million to HPTE. PRD subsequently assumed the operations, maintenance, and revenues from U.S. 36 Phase II. PRD has the right to collect tolls and raise rates with permission from the HPTE Board. If the Board does not approve the rate increase, HPTE must compensate PRD for any lost revenue.

HPTE reported deferred inflow of resources related to the arrangement of \$127.8 million, which is included on the *Statement of Net Position*. The table below shows the carrying amount of HPTE's capital assets at fiscal year-end pursuant to the concession arrangement.

<b>Project</b>	<b>Description</b>	<b>Carrying Amount</b>
U.S. 36 Phase II	Tolling Equipment and Software	\$ -
U.S. 36 Phase II	Managed Lanes	\$ 91,180,538
U.S. 36 Phase II	36 Tolling Stations	\$ 132,434

### ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Funds, Institutions of Higher Education, and Colorado Department of Transportation Funds (primarily the Highway Users Tax Fund) include multi-year encumbrances of \$53.4 million, \$89.9 million and \$1.7 billion, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

## **FINANCIAL GUARANTEES**

Colorado statutes (Section 22-41-110, C.R.S.) hold the State liable for defaults on school district bonds and other obligations unless a school district board of education adopts a resolution stating it will not accept payment on their behalf. The State Treasurer shall recover the amount forwarded on behalf of the school districts by withholding amounts from the school district's payments of the state share of the district's total program received and from property tax and specific ownership tax revenues collected by the county treasurer on behalf of the school district; except that the State Treasurer may not recover amounts from property tax revenues that are pledged to pay notes and bonds issued by the school district. The guarantee will continue to be in effect as long as any bonds or other obligations of a school district remain outstanding. As of June 30, 2021, \$10.7 billion of the school district bond is outstanding and no liability has been recorded, as the school districts have been deemed capable of meeting the debt service payments.

## **CONTINGENCIES**

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

Significant matters that are deemed a contingent liability to the State requiring disclosure are summarized below. A significant matter is defined as a single instance where an unfavorable outcome would result in damages of \$5.0 million or more.

### **General Litigation**

The State is a defendant in a number of lawsuits or is subject to potentially be named as a party to lawsuits that are associated with its normal governmental operations. Although the outcomes are uncertain, some of these litigations could involve substantial losses. However, the State believes in most cases that it will not incur a resulting liability that would have a material or adverse effect on the State's financial condition. Should the State incur a loss through an unfavorable outcome, some of the losses may be covered through liability insurance.

Plaintiffs filed a class action suit on behalf of at least 160 women against the Department of Corrections, alleging violations of the Colorado Anti-Discrimination Act (CADA) for discrimination in a place of public accommodation based on sexual orientation and disability. The State will vigorously defend against an estimated \$19.0 million of damage claims in the action, including by invoking any available immunity defenses. The State also intends to reopen discussions with Plaintiffs about potential settlement including changes to CDOC policies and practices.

A collective action for unpaid wages under the Fair Labor Standards Act (FLSA) was brought against the Department of Corrections. Under Plaintiffs' theory, members of the putative class should have been paid overtime weekly while on call. If Plaintiffs prevailed, they would likely be entitled to double damages as well as attorneys' fees under the FLSA. Based on the foregoing, we anticipate the damages sought will be significant and potentially exceed \$25.0 million. The State will vigorously defend the lawsuit.

Multiple lawsuits have been filed against the Department of Higher Education on behalf of all students enrolled at the University of Colorado and Colorado State University who have paid tuition and the mandatory student fees for the Spring 2020 semester. Plaintiffs allege breach of contract and, in the alternative, unjust enrichment. The dispute relates to transition to remote delivery of educational services for the latter portion of the Spring 2020 semester in response to the COVID-19 pandemic. Although the likelihood of an unfavorable outcome is uncertain, should the court award a full refund of fees paid for the portion of the semester during which educational services were delivered remotely to all enrolled students, each institution's liability could potentially exceed \$10.0 million. The State will vigorously defend the claims in the action.

The Department of Public Health & Environment has been named as a defendant related to a claim that it ordered a regulatory taking by prohibiting a corporate entity from legally distributing wastewater. Although the plaintiff seeks \$110.0 million in compensatory damages, a reliable loss or range of loss cannot be estimated at this time. The likelihood of an unfavorable outcome is 50 percent, and the State is vigorously defending the case.

The Department of Revenue has been named as a defendant in a claim whereby the plaintiff challenges the denial of an income tax refund claim on the basis that retroactive changes in the CARES Act allegedly carried through to Colorado law despite a regulation to the contrary. If plaintiffs win, it would overturn the regulation. It would also have a very significant impact on other taxpayers, with a combined impact of several hundred million dollars. For this case, the Department of Revenue's potential exposure could be in excess of \$8.0 million. The State is vigorously defending its position.

A lawsuit filed against the Colorado Department of Transportation (CDOT) arises from the design and construction of approximately one mile of I-25 between City Center Drive and Santa Fe Drive in Pueblo, CO. The plaintiff is claiming that CDOT forced the plaintiff to accelerate construction, and claims that it is entitled to an additional \$13.0 million in payments from CDOT due to purported scheduling changes allegedly caused by CDOT. CDOT and its' counsel at the Attorney General's office are vigorously defending this lawsuit.

A breach of contract lawsuit was filed against CDOT related to construction projects along the I-25 corridor in Denver. The plaintiff alleges that CDOT did not proceed in good faith in its dispute resolution proceeding, and that defects in the road design and other issues caused cost overruns and incurred delays. Plaintiff is seeking \$15.0 million in damages, and the State is vigorously defending the case.

## **Grants**

The State receives federal grants for specific purposes that are subject to review and audit by grantor agencies. This federal funding is conditional upon compliance with the terms and conditions of such grant agreements and applicable federal laws and regulations. Issues resulting from federal reviews or audits can potentially cause disallowance of expenditures and consequently, a liability of the State.

The federal Department of Health and Human Services, Centers for Medicare and Medicaid (CMS) demanded the State return approximately \$38.4 million of performance bonus payments under the Children's Health Insurance Program Reauthorization Act of 2009, on the basis the State improperly included individuals in current enrollment counts. The State is vigorously defending against the recovery demand, but the likelihood of an unfavorable outcome is uncertain.

## **Unemployment Insurance Claims**

The Colorado Department of Labor and Employment experienced a significant increase in the number of unemployment insurance claims due to the COVID-19 pandemic. The Department also experienced a significant

increase in the number of suspected fraudulent unemployment insurance payments in Fiscal Year 2021, and developed analytical tools to identify claims not yet paid for the presence of unique fraud indicators. The Department established a process to place holds on claims relating to potential fraud. If a payment had fraud indicators identified, the Department placed a Program Integrity Hold on the claim. Although some claims placed on hold may be legitimate, the Department is unable to reliably estimate a range of the amount of fraudulent claims payable because a Program Integrity Hold represents a claim deemed highly suspicious, and is not eligible for release unless the claimant has demonstrated their continuing eligibility. For Fiscal Year 2021, the State cannot reliably estimate the liability for fraudulent claims due to the remote possibility of fraudulent claims meeting all eligibility criteria, as required by state law, in order for a claim to be eligible for payment.

**NOTE 20 – TAX ABATEMENTS**

The Governor’s Office of Economic Development and International Trade (OEDIT) – through the State Economic Development Commission (EDC) – supports recruitment, retention, and economic growth throughout the State by offering a variety of incentives and tax credits. OEDIT provided significant tax abatements under four programs during the fiscal year: Colorado Enterprise Zone Business and Contribution Tax Credits, Job Growth Incentive Tax Credits, Historic Preservation 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 Historic Preservation Tax Credit was created under Section 39-22-514.5 C.R.S. The program issues tax credits to owners of commercial and residential properties who perform certified rehabilitations on their certified historic structures. Tax credit certificates are issued for specific dollar amount based on amount of qualifying investment made. Taxpayers that have made a qualified rehabilitation receive the credit upon completion of rehabilitation, and the provision for recapturing abated taxes would be an income tax return audit conducted by the Department of Revenue. For taxpayers to qualify for the credit, the property must be on a historical register (national, state, or local), and the rehabilitation must maintain the historic register status. A commercial property owner must submit a Tax Credit Application. Once the project is approved by History Colorado, OEDIT will reserve the tax credits for 90 days. The tax credit may be claimed upon completion of the project and approved proof of rehabilitation. Qualified rehabilitation costs are those that support the National Historic Preservation Standard.

The maximum credit for the State Tax Credit is \$50,000 for residential properties within a ten-year period; the amount resets with change of ownership. The maximum credit for the State Tax Credit for commercial properties is \$1 million per year per property. The State Tax Credit for commercial properties has a cap on the amount that can be awarded to all projects during a calendar year - \$5 million to projects with rehabilitation expenditures of \$2 million or less and \$5 million to projects with rehabilitation expenditures greater than \$2 million. These credits are awarded on a first come – first serve basis.

Taxpayers must register with OEDIT and submit a tax credit application using OEDIT's project checklist. Applications are reviewed by History Colorado's Office of Archaeology and Historic Preservation, which has up to 45 days to review applications for the State Tax Credit for residential properties and the Federal ITC. History Colorado and the Colorado Office of Economic Development and International Trade have 90 days to review commercial applications for State Tax Credits.

- 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, 2021 is as follows:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Colorado Enterprise Zone Business Tax Credits	\$ 75,747.0
Colorado Enterprise Zone Contribution Tax Credits	16,354.0
Job Growth Incentive Tax Credits	34,929.6
Historic Preservation Tax Credits	11,524.0
Regional Tourism Act	9,177.7
Total	\$147,732.3



## NOTE 21 – SUBSEQUENT EVENTS

### A. DEBT ISSUANCES AND REFUNDINGS

On July 20, 2021, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2021A. The notes mature on June 29, 2022. The total due on that date includes \$370.0 million in principal and \$12.9 million in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$12.6 million, an average coupon rate of 3.696%, and a yield of 0.070%.

On August 2, 2021, the Metropolitan State University issued the Series 2021, Institutional Enterprise Revenue Refunding Bonds as a direct placement with PNC Bank to refund the Series 2020 bonds. The Series 2021 bonds offer a more favorable rate with a five-year term. Prior to issuing the refunding bonds the University was paying 80% of LIBOR plus 150 basis points, while after the refunding the University must pay 80% of LIBOR plus 46 basis points, which is an estimated present value savings of \$6.4 million.

On August 6, 2021, the Board of Governors of the Colorado State University System has authorized the issuance of Bonds, in one or more series or subseries, to be designated “The Board of Governors of the Colorado State University System, System Enterprise Revenue and Revenue Refunding Bonds, Series 2021C” (referred to herein as the “Refunding Bonds,” the “2021 Improvement Bonds” or the “Series 2021C Bonds). The purposes were to (a) defraying the cost of financing the Refunding Project; (b) defraying the cost of financing the 2021 Improvement Project; and (c) paying certain costs relating to the issuance thereof, in accordance with and as provided by the Master Resolution and the Twenty Second Supplemental Resolution. Any Series 2021C Bonds, issued in one or more series or subseries, shall be issued in an aggregate principal amount not to exceed \$195.0 million for the Refunding Project and \$25.0 million for the 2021 Improvement Project.

In April 2021, the High-Performance Transportation Enterprise (HPTE) and the Colorado Bridge Enterprise (CBE) Boards authorized the restructuring of Kiewit-Meridiam Partners (KMP)’s debt for the Central 70 project. Doing so will allow the Central 70 project to generate additional financing proceeds, without increasing project funding from CBE, and to mitigate increases in project costs, delay costs and future risk to the project. The refinancing involves the following: (1) a new, upsized TIFIA loan with the USDOT (the 2021 TIFIA Loan) at a lower interest rate the existing 2017 TIFIA Loan; (2) new senior revenue bonds issued via CBE as a conduit issuer; and (3) additional equity investment by KMP, while maintaining the same key financial ratios and CBE funding commitments that were in place at the start of the project. The new CBE series 2021A Senior Revenue Bonds will be sized to maximize the total refinancing proceeds, payable from the current Performance Payment amounts, without increase once the final interest rate on the TIFIA is set as of the date of financial close. As with the original Colorado Bridge Enterprise Senior Revenue Bonds (Central 70 Project), Series 2017, issued for this project, CBE is issuing the bonds as a conduit issuer. The Series 2021 are not obligations of CBE and are payable solely by KMP from the Trust Estate (as defined in the Trust Indenture, as amended). On September 15, 2021 the CBE issued \$51.7 million in Taxable Central 70 Project Series 2021A Senior Revenue Bonds, and \$465.0 million in Taxable Central 70 Project Series 2021B Senior Project Infrastructure Bonds. Proceeds of the bonds will be used for additional Central 70 Project costs, prepay capitalized interest with respect to the 2017 TIFIA Loan, and pay certain costs of issuance of the Series 2021 Bonds. The 2021A and 2021B Series have interests rates of 2.543% and 0.923% (respectively). The 2021A series is due December 31, 2032 and the 2021B series is due December 31, 2023.

On October 5, 2021, Colorado State University System issued \$27.7 million in System Enterprise Revenue Refunding Bond Taxable Convertible to Tax-Exempt Series 2021 E. The 2021 E Bond will be used to refund a portion of the Series 2015 C Bonds and to pay certain costs relating to the issuance of the 2021 E Bond.

On October 7, 2021, the University of Colorado Board issued a total of \$227.6 million C-2 Bonds comprised of the following bonds as Parity Obligations under the Master Resolution which were purchased by Wells Fargo Municipal Capital Strategies, LLC: (a) The Regents of the University of Colorado, University Enterprise Refunding Revenue Bonds, Taxable Convertible to Tax-Exempt Series 2021C-2A, in the aggregate principal amount of \$41.7 million. (b) The Regents of the University of Colorado, University Enterprise Refunding Revenue Bonds, Taxable Convertible to Tax-Exempt Series 2021C-2B, in the aggregate principal amount of \$62.1 million. (c) The Regents of the University of Colorado, University Enterprise Refunding Revenue Bonds, Taxable Convertible to Tax-Exempt Series 2021C-2C, in the aggregate principal amount of \$123.8 million. These bonds refund and defease portions of the previously issued Series 2015A, Series 2016B-1 and Series 2017A-2 (Refunded Bonds). The proceeds, along with funds contributed by the University are being held by Zions Bank as Escrow Agent to pay all interest and principal to the respective call

dates of the Refunded Bonds. The issuance of the refunding bonds and the defeasance of the Refunded Bonds will result in significant cash flow and present value savings to the University.

On November 2, 2021 the University of Colorado sold \$202.5 million of University Enterprise Revenue Bonds Series 2021 C-3 and C-4, scheduled to close on November 16, 2021. Proceeds from the issue, plus original issue premium paid by investors, will be used to immediately retire \$225 million Series 2020 A-1, A-2 and B-1 variable rate demand bonds and pay costs of issuance related to the C-3 and C-4 bonds. The Series C-3 and C-4 bonds have coupon interest rates of between 2% and 5%. The \$125 million of Series C-3 bonds are being issued in term rates mode (Put Bonds) maturing on October 15, 2025 and October 15, 2026 in the amounts of \$65 million and \$60 million, respectively. The \$77.46 million of Series C-4 bonds are issued as fixed-rate bonds, maturing serially from June 1, 2022 through June 1, 2051.

On November 10, 2021, Colorado State University System issued \$38.6 million in System Enterprise Revenue and Revenue Refunding Bonds Series 2021 C and \$28.9 million in System Enterprise Revenue Refunding Bonds Taxable Series 2021 D-2. The proceeds from the sale of the Series 2021 C Bonds will be used to finance the Lory Student Center Phase three revitalization, Adult Learner Center, and other capital projects as may be designated and approved by the Board, current refund certain Commercial Paper Notes issued to finance a portion of the Geo-Exchange System in the recreation fields south of Moby Arena, mechanical upgrades to the Moby complex, and pay certain costs relating to the issuance of the Series 2021 C Bonds. The proceeds from the sale of the Series D-2 Bonds will be used to refund in full the Series 2013 D Bonds, refund a portion of the Series 2016 B Bonds, and pay certain costs relating to the issuance of the Series 2021 D-2 Bonds.

On November 18, 2021, the University of Colorado issued \$69.6 million of taxable advance refunding bonds, University Enterprise Revenue Refunding Bonds, Series 2021 C-1. The newly issued bonds are fixed rate bonds with interest rates of 0.323% to 2.979% and mature in various amounts on June 1 from 2022 to 2049. The Series 2021 C-1 Bonds advance refunded portions of Series 2012 A-2, 2012 B, 2018 B and 2019 B. The transaction will result in significant cash flow and present value saving on debt service for the University.

On December 09, 2021, the State issued Building Excellent Schools Today (BEST) Certificates of Participation (COPs), Series 2021S in the amount of \$150.4 million. The COPs were issued as tax exempt bonds with a premium of \$28.1 million, an average coupon rate of 4.099%, and a yield of 1.799%. Base Rents are due semiannually beginning on March 15, 2022, with a final maturity date of March 15, 2046.

On December 30, 2021, University of Northern Colorado Board of Trustees issued Institutional Enterprise Revenue Refunding Bonds Taxable, Series 2021A for \$33.0 million. Bond proceeds of \$33 million were used to advance refund a portion of outstanding principal balance on the Institutional Enterprise Revenue Refunding Bonds, Series 2014A, totaling \$30.2 million as of June 30, 2021. The Series 2021A Bonds shall initially be issued as a Taxable Obligation and bear interest at the taxable rate of 2.29% per annum, and will convert to, and be reissued as, a Tax Exempt Obligation bearing interest at a rate of 1.77% per annum on or after March 5, 2024, upon satisfaction of certain agreed upon conditions. The Series 2021A bonds are guaranteed by the State Intercept program and are set to mature on June 1, 2035. Bond proceeds were also used to pay the cost of issuance totaling \$0.15 million. As of December 30, 2021, the Series 2014A Bonds will have a remaining outstanding principal balance of \$11.0 million.

On December 30, 2021, Colorado State University System issued \$46.0 million in System Enterprise Revenue Refunding Bonds Taxable Series 2021 D-1. The 2021 D-1 Bonds will be used to refund a portion of the Series 2015 C Bonds, Series 2017 C Bonds, and Series 2018 A Bonds, and pay certain costs relating to the issuance of the Series 2021 D-1 Bonds.

On January 19, 2022, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2021B. The notes mature on June 29, 2022. The total due on that date includes \$400 million in principal and \$2.1 million in interest. By statute, interest on the notes is payable from the General Fund. The ETRAN was issued with a premium of \$1.8 million, an average coupon rate of 1.188%, and a yield of 0.175%.

## **B. OTHER**

On July 1, 2021, the Small Business Administration notified History Colorado that their Paycheck Protection Program (PPP) loan had been forgiven. Total amount forgiven consisted of \$2.3 million in principal, and \$27.9 thousand in interest.

On July 1, 2021 the University of Colorado entered into a \$100.0 million operating line of credit with PNC Bank “Credit Agreement”, pursuant to the 26th Supplemental Bond Resolution adopted by the Regents on June 17, 2021. Under the Credit Agreement with PNC Bank, the University may borrow up to \$100.0 million for any lawful purpose of the University including to pay operating expenses and costs of capital projects. The primary purpose of entering into this agreement is to provide an additional source of liquidity to the University and to allow it to more efficiently invest monies in the pooled funds of the University. As of the date the financial statements were issued, there have been no drawings under the Credit Agreement and there are no current plans to do so .If monies are borrowed under the agreement, the University would pay variable rate of interest at 1 month LIBOR plus 50 basis points, which would currently be .59%. The agreement is a three-year agreement that expires on June 30, 2024 and any amounts drawn under the agreement must be repaid within the three-year term. The University also makes a fixed annual payment to PNC Bank for any unused portion.

Effective July 1, 2021, the CollegeInvest aggregate account balance limit for Colorado Section 529 plans for a particular beneficiary from all sources, excluding income, increased to \$0.5 million.

On July 19, 2021, the CollegeInvest transfer of Scholars Choice Program assets, records and management responsibilities from QS Investors, LLC and Legg Mason Investor Services, LLC to TIAA-CREF Tuition Financing, Inc. was completed.

In May 2021, Senate Bill 21-008 amended C.R.S. 2-60-205 to remove the word “Junior” from the name of Otero Junior College to Otero College, as well as Trinidad State Junior College to Trinidad State College, effective September 11, 2021.

The Colorado School of Mines paid the Colorado School of Mines Foundation \$1.6 million in October 2021, for two parcels of residential property adjacent to Mines south campus on the corner of 19th Street and Illinois Street. The 1.95 acre property was purchased by the Foundation for \$6.5 million with the intent to convey to the University.

On October 13, 2021, the Board of University of Colorado Regents approved entering into an agreement for the sale of property located in Lone Tree, Colorado, and known as CU South Denver, for \$10 million. The agreement provides the buyer of the property an inspection period that expires December 8, 2021. If following the inspection period, the buyer elects to move forward with the purchase, the sale closed on December 14, 2021. The net book value of the land, building, and improvements was \$36.2 million as of June 30, 2021.

On November 1, 2021 the Colorado Mesa University reached an agreement with the Colorado Health Foundation, a Colorado nonprofit organization to enter into an impact investment agreement for a \$5 million non-revolving term loan to help cover the cost of constructing the St. Mary’s SCL Health Medical Education Center. The loan is non-interest bearing and the University will make eleven annual payments of \$0.25 million beginning January 2, 2028 through January 2, 2038 with a final payment of \$2.25 million due when the loan matures on November 1, 2038, the Seventeenth (17th) anniversary of the closing date.

College Assist renewed agreements with three outside collection agencies effective November 1, 2021, to collect on defaulted student loans for a one-year term. The agreements may be renewed annually for a one-year term if both parties agree. Collection agencies have been working with borrowers making voluntary payments and providing customer service. Normal collection activities are scheduled to restart on February 1, 2022. Approximately \$150 million of student loans will be subrogated to the Department of Education starting in fiscal year 2022 to comply with the Dear Colleague Letter issued May 12, 2021.

In November 2021, the Board of Trustees of the Colorado School of Mines gave formal approval to enter into an agreement with a partner on a new Public Private Partnership that will reimagine Mines Park. Mines Park is a current housing option for upper division undergraduates, graduate students and families. This redevelopment will increase the bed count from 538 to more than a 1,000 in a sustainable residential village.

On December 17, 2021, the Small Business Administration notified History Colorado that their Paycheck Protection Program (PPP) loan had been forgiven. Total amount forgiven consisted of \$2.0 million in principal, and \$15.0 thousand in interest.

## **NOTE 22 – DISCRETELY PRESENTED COMPONENT UNITS**

As described in Note 1, the State's discretely presented component units (DPCUs) are entities that are legally separate from the State, but included in the reporting entity due to their relationships with the State. This note discusses the significant balances reported in the financial statements for DPCUs and financial items directly related to the State's financial accountability for the DPCUs.

### **Basis of Accounting**

The financial statements for the Colorado Water Resources and Power Development Authority (the Authority), a major DPCU, as well as the nonmajor DPCUs, the Denver Metropolitan Baseball Stadium District (the District) and the Statewide Internet Portal Authority (SIPA), are prepared on the accrual basis of accounting using the economic resources measurement focus and follow GASB standards for governments. The financial information for the Authority and the District is presented for the fiscal year ended December 31, 2020 and the financial information for SIPA is presented for the fiscal year ended June 30, 2021.

The financial information for the University of Colorado Foundation (the Foundation), a major DPCU, is presented for the fiscal year ended June 30, 2021. The Foundation follows standards for not-for-profit accounting promulgated by the Financial Accounting Standards Board (FASB), which recommends preparing financial statements using the accrual basis of accounting.

### **Cash and Cash Equivalents**

The Authority reported cash and cash equivalents with a fair market value of \$338.9 million. This amount comprises \$324.3 million held by COLOTRUST (Colorado Local Government Liquid Asset Trust), \$2.1 million held in the State Treasurer's Investment Pool, \$11.1 million in a Federated Government Obligations Fund, and \$1.4 million in bank cash deposits. The COLOTRUST and Federated deposits had nationally recognized statistical rating organization (NRSRO) credit ratings of AAAm. The COLOTRUST deposits were measured at net asset value per share (NAV) and the Federated deposits were measured using quoted market prices. The fair market value disclosures for the Treasurer's Investment Pool are disclosed in Note 4.

### **Investments**

The Foundation holds resources for the benefit of the State and the amount of those resources, the vast majority of which are investments, are significant to the State.

Since the Foundation's financial statements are prepared according to FASB not-for-profit standards, the investment risk disclosures typical of government financial statements are not disclosed. For its endowments, the Foundation has adopted an investment policy that seeks to provide a steady and increasing stream of funding while maintaining the purchasing power of the assets. The Foundation's investments are reported, to the extent possible, at fair market value. The FASB fair market value reporting requirements provide for a valuation method hierarchy similar to GASB's. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

Level 2 Investments – 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 Foundation’s investments by type within the fair value hierarchy as of June 30, 2021. In addition to the investments reported at fair value below, the Foundation reports investment assets at cost or present value of \$23.5 million.

**University of Colorado Foundation**  
**Fair Value Measurements Using**  
(Amounts In Thousands)

Investment Type	Fair Value as of 6/30/2021	Quoted prices in active markets for identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share
Mutual Funds - Domestic Equities	\$ 116,472	\$ 116,472	\$ -	\$ -	\$ -
Mutual Funds - International Equities	254,540	254,540	-	-	-
Mutual Funds - Fixed Income	2,212	2,212	-	-	-
Equity Securities	228,600	178,800	-	49,800	-
Fixed-Income Securities	198,439	-	198,439	-	-
Real Estate	62,597	-	-	-	62,597
Private Equity	434,038	-	-	-	434,038
Commingled Equity Securities	817,137	-	-	-	817,137
Absolute Return	350,760	-	-	-	350,760
Venture Capital	337,586	-	-	501	337,085
Commodities	24,455	-	-	-	24,455
Other	838	-	568	270	-
Assets Held Under Split-Interest Agreements	42,652	42,652	-	-	-
Beneficial Interest in Charitable Trusts Held by Others	15,458	-	-	15,458	-
<b>Total</b>	<b>\$ 2,885,784</b>	<b>\$ 594,676</b>	<b>\$ 199,007</b>	<b>\$ 66,029</b>	<b>\$ 2,026,072</b>

## Receivables

The Authority loans funds to finance local government water resources projects, wastewater treatment projects, and drinking water projects. The Authority reported loans receivable of \$1,010,8 million as of December 31, 2020. The scheduled maturities of the loans receivable are below.

**Colorado Water Resources and Power Development Authority**  
**Loans Receivable**  
(In Thousands)

Year	Principal	Interest	Total
2021	\$ 70,240	\$ 10,944	\$ 81,184
2022	73,428	9,840	83,268
2023	70,427	8,608	79,035
2024	70,225	7,410	77,635
2025	69,420	6,628	76,048
2026 to 2030	277,878	23,637	301,515
2031 to 2035	205,697	11,139	216,836
2036 to 2040	113,540	4,847	118,387
2041 to 2045	35,062	1,637	36,699
2046 to 2050	24,558	362	24,920
2051	363	3	366
<b>Total</b>	<b>\$ 1,010,838</b>	<b>\$ 85,055</b>	<b>\$ 1,095,893</b>

The Foundation reported contributions receivable of \$140.3 million. This amount is net of allowances for uncollectible contributions and net present value discount. Of this amount, \$49.5 million is due within one year, \$81.8 million is due within one to five years, and \$9.0 million is due in more than five years.

## Debt Service Requirements

The Authority has issued several bonds to finance local government water projects, which do not constitute debt of the State. During 2020, the Authority issued 2020 Series A Water Resources Revenue Bonds for \$7.4 million and two series of Clean Water Revenue Bonds, the 2020 Series A (SRF) and the 2020 Series B (SRF) for \$11.6 million and \$11.0 million, respectively. Additionally, the Authority issued the 2020 Series A (SRF) Drinking Water Revenue Bonds for \$4.9 million in 2020. The Authority fully retired four series of Water Resources Revenue Bonds in 2020: 2009 Series A, 2010 Series A, 2011 Series A, and 2011 Series C. As of December 31, 2020, the Authority reported \$33.1 million in current bonds payable and \$321.8 million in noncurrent bonds payable.

The schedule below summarizes the remaining debt service payments for all bond issuances for the Authority.

### Colorado Water Resources and Power Development Authority Debt Service Requirements (In Thousands)

Year	Principal	Interest	Total
2021	\$ 33,095	\$ 13,893	\$ 46,988
2022	34,600	12,436	47,036
2023	33,375	10,874	44,249
2024	33,375	9,491	42,866
2025	30,215	8,263	38,478
2026 to 2030	101,240	26,922	128,162
2031 to 2035	55,570	10,542	66,112
2036 to 2040	22,540	3,942	26,482
2041 to 2045	7,860	1,166	9,026
2046 to 2050	2,980	206	3,186
<b>Total</b>	<b>\$ 354,850</b>	<b>\$ 97,735</b>	<b>\$ 452,585</b>

## Capital Assets

The District owns and operates a major league baseball stadium and other related capital assets. The District depreciates land improvements, buildings and other property and equipment using the straight-line method over estimated useful lives that range from three to 50 years. Changes in capital assets for the District for 2020 are below.

### Denver Metropolitan Major League Baseball Stadium District Changes in Capital Assets (In Thousands)

	Beginning Balance, 1/1/2020	Additions	Transfers	Retirements	Ending Balance, 12/31/2020
Historical Costs					
Land	\$ 20,664	\$ -	\$ -	\$ -	\$ 20,664
Land Improvements	13,214	-	-	-	13,214
Buildings	211,800	1,182	4,671	-	217,653
Construction in Progress	4,672	82	(4,671)	-	83
Other Property and Equipment	34,138	2,104	-	-	36,242
<b>Total Historical Costs</b>	<b>284,488</b>	<b>3,368</b>	<b>-</b>	<b>-</b>	<b>287,856</b>
Accumulated Depreciation					
Land Improvements	(6,705)	(217)	-	-	(6,922)
Buildings	(76,334)	(5,860)	-	-	(82,194)
Other Property and Equipment	(24,653)	(1,586)	-	-	(26,239)
<b>Total Accumulated Depreciation</b>	<b>(107,692)</b>	<b>(7,663)</b>	<b>-</b>	<b>-</b>	<b>(115,355)</b>
<b>Net Capital Assets</b>	<b>\$ 176,796</b>	<b>\$ (4,295)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172,501</b>

## Transactions with the Primary Government

Pursuant to statutes, with the written consent of the Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute operating agreements with the United States Environmental Protection Agency. The Authority entered into a memorandum of agreement with the Department of Public Health and Environment and the Department of Local Affairs, under which each has agreed to assume specified responsibilities. The Authority incurred expenses for the two state agencies totaling \$9.7 million in the fiscal year ending December 31, 2020.

The Foundation reported custodial funds of \$619.2 million, held for investment for the University of Colorado. In Fiscal Year 2021, the Foundation collected a 1.5 percent annual advancement support assessment on these funds, which was \$5.5 million. \$182.3 million of distributions were transferred to the University and \$29.5 million of advancement support was paid to the University.

## Pension Information

The Authority participates in the PERA defined benefit pension plan disclosed in Note 6. Disclosures in Note 6 for the PERA State Division Trust Fund (SDTF) regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions specific to the Authority are provided below.

At December 31, 2020, the Authority reported a liability of \$3,397,219 for its proportionate share of the collective net pension liability.

The Authority recognized reduction of pension expense of \$928,410 and revenue of \$1,218 for support from the State as a nonemployer contributing entity for the fiscal year ended December 31, 2020. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 126,928	\$ -
Changes of assumptions or other inputs	-	974,396
Net difference between projected and actual earnings on pension plan investments	-	366,010
Changes in proportion	-	250,462
Contributions subsequent to the measurement date	225,628	-
Total	<u>\$ 352,556</u>	<u>\$ 1,590,868</u>

At December 31, 2020, the Authority reported \$225,628 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ (1,243,998)
2022	(81,019)
2023	(14,366)
2024	(124,557)
	<u>\$ (1,463,940)</u>

**Other Post-Employment Benefits (OPEB)**

The Authority participates in the PERA defined benefit OPEB plan disclosed in Note 7. Disclosures in Note 7 for the PERA Health Care Trust Fund (HCTF) OPEB regarding general information about the plan, contributions, and actuarial assumptions are also applicable to the Authority. The OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB specific to the Authority are provided below.

At December 31, 2020, the Authority reported a liability of \$155,969 for its proportionate share of the collective net OPEB liability.

The Authority recognized OPEB expense of \$8,950 for the fiscal year ended December 31, 2020. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 518	\$ 26,209
Changes of assumptions or other inputs	1,294	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,603
Changes in proportion	624	5,032
Contributions subsequent to the measurement date	11,735	-
Total	<b>\$ 14,171</b>	<b>\$ 33,844</b>

At December 31, 2020, the Authority reported \$11,735 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2021	\$ (6,336)
2022	(6,336)
2023	(5,582)
2024	(6,755)
2025	(6,037)
Thereafter	(362)
	<b>\$ (31,408)</b>

**Subsequent Event**

The Authority issued its State Revolving Fund Refunding Revenue Bonds 2021 Series A that closed on June 3, 2021. The \$33.8 million proceeds from the issuance will be used to refund bonds of the Authority the proceeds of which were used to fund loans to Colorado governmental municipal borrowers to finance or refinance certain costs of improvements to water system facilities or wastewater treatment facilities, to fund a debt service reserve account, and to pay costs of issuance. The Bonds have maturity dates starting in 2021 and ending in 2032 with interest rates varying between 1.0% and 5.0%.







## **REQUIRED SUPPLEMENTARY INFORMATION**



**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - APPROPRIATED GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 3,478,482	
Income Taxes			8,127,542	
Other Taxes			290,340	
Sales and Services			1,286	
Interest Earnings			45,201	
Other Revenues			23,096	
Transfers-In			403,326	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>12,369,273</b>	
<b>EXPENDITURES AND TRANSFERS-OUT:</b>				
Operating Budgets:				
Departmental:				
Agriculture	\$ 11,344	\$ 14,796	\$ 14,795	\$ 1
Corrections	841,343	844,975	827,872	17,103
Education	3,929,011	4,009,330	4,005,590	3,740
Governor	52,763	85,976	84,080	1,896
Health Care Policy and Financing	3,184,706	2,790,163	2,680,385	109,778
Higher Education	604,518	608,308	607,950	358
Human Services	960,429	1,010,424	1,004,179	6,245
Judicial Branch	580,370	577,549	558,184	19,365
Labor and Employment	18,494	18,792	18,222	570
Law	14,285	14,284	13,765	519
Legislative Branch	53,636	53,660	53,626	34
Local Affairs	37,553	67,532	50,986	16,546
Military and Veterans Affairs	10,344	10,350	9,932	418
Natural Resources	32,699	40,496	33,236	7,260
Personnel & Administration	14,049	29,806	29,717	89
Public Health and Environment	59,959	64,391	63,908	483
Public Safety	152,019	148,122	138,450	9,672
Regulatory Agencies	1,941	1,941	1,906	35
Revenue	83,600	83,744	82,693	1,051
Transportation	1,000	1,000	949	51
Treasury	15,625	395,292	395,151	141
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>10,659,688</b>	<b>10,870,931</b>	<b>10,675,576</b>	<b>195,355</b>
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ 5,277	\$ 2,684	\$ 356	\$ 2,328
Corrections	17,477	27,479	7,916	19,563
Education	3,533	1,052	620	432
Governor	1,316	31,289	12,210	19,079
Health Care Policy and Financing	1,082	2,913	596	2,317
Higher Education	209,849	113,845	42,449	71,396
Human Services	33,386	63,350	28,086	35,264
Local Affairs	1,327	1,099	11	1,088
Military and Veterans Affairs	1,139	3,319	2,498	821
Natural Resources	-	21,000	299	20,701
Personnel & Administration	17,835	14,571	7,141	7,430
Public Health and Environment	322	2,681	999	1,682
Public Safety	826	3,712	1,130	2,582
Transportation	800	1,000	500	500
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>294,169</b>	<b>289,994</b>	<b>104,811</b>	<b>185,183</b>
<b>TOTAL EXPENDITURES AND TRANSFERS-OUT</b>	<b>\$ 10,953,857</b>	<b>\$ 11,160,925</b>	<b>\$ 10,780,387</b>	<b>\$ 380,538</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT</b>			<b>\$ 1,588,886</b>	

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - APPROPRIATED CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 15,386	
Income Taxes			874,600	
Other Taxes			113,238	
Tuition and Fees			2,620,221	
Sales and Services			1,670,009	
Interest Earnings			31,619	
Other Revenues			933,659	
Transfers-In			2,081,448	
Capital Contributions			1,215	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>8,341,395</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
Operating Budgets:				
Departmental:				
Agriculture	\$ 38,649	\$ 39,469	\$ 29,160	\$ 10,309
Corrections	77,870	76,403	45,987	30,416
Education	1,066,795	1,131,534	1,062,718	68,816
Governor	302,312	303,491	266,689	36,802
Health Care Policy and Financing	1,797,056	1,692,536	1,614,683	77,853
Higher Education	2,857,108	2,670,433	2,606,096	64,337
Human Services	341,238	346,010	284,635	61,375
Judicial Branch	189,954	190,829	148,956	41,873
Labor and Employment	74,501	77,882	68,336	9,546
Law	70,422	70,375	65,509	4,866
Legislative Branch	1,236	1,236	1,142	94
Local Affairs	35,521	35,504	30,807	4,697
Military and Veterans Affairs	4,497	4,497	1,260	3,237
Natural Resources	301,670	335,083	192,433	142,650
Personnel & Administration	135,480	133,508	113,976	19,532
Public Health and Environment	240,790	244,678	199,177	45,501
Public Safety	258,931	259,394	240,116	19,278
Regulatory Agencies	95,744	95,920	87,648	8,272
Revenue	248,661	261,484	219,892	41,592
State	27,238	28,547	27,555	992
Transportation	37,760	133,187	42,301	90,886
Treasury	67,012	67,018	65,776	1,242
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>8,270,445</b>	<b>8,199,018</b>	<b>7,414,852</b>	<b>784,166</b>
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ -	\$ 162	\$ 162	\$ -
Governor	-	13,088	7,743	5,345
Higher Education	49,332	216,900	102,759	114,141
Human Services	1,759	4,298	769	3,529
Labor and Employment	28,422	6,987	6,567	420
Natural Resources	28,247	63,770	5,716	58,054
Personnel & Administration	-	7,376	1,391	5,985
Public Health and Environment	-	9,274	1,742	7,532
Public Safety	-	2,370	-	2,370
Transportation	1,900	500	500	-
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>109,660</b>	<b>324,725</b>	<b>127,349</b>	<b>197,376</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 8,380,105</b>	<b>\$ 8,523,743</b>	<b>\$ 7,542,201</b>	<b>981,542</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ 799,194</b>	

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - APPROPRIATED FEDERALLY FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			\$ 7,253,095	
TOTAL REVENUES AND TRANSFERS-IN			<u>7,253,095</u>	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Health Care Policy and Financing	\$ 6,736,939	\$ 7,230,381	\$ 6,858,105	\$ 372,276
Human Services	360,938	380,669	346,610	34,059
Labor and Employment	15,651	18,283	16,425	1,858
Public Health and Environment	19,749	19,749	16,558	3,191
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	<u>7,133,277</u>	<u>7,649,082</u>	<u>7,237,698</u>	<u>411,384</u>
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	<u>\$ 7,133,277</u>	<u>\$ 7,649,082</u>	<u>\$ 7,237,698</u>	<u>\$ 411,384</u>
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			<u>\$ 15,397</u>	

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



**RECONCILING SCHEDULE  
ALL BUDGET FUND TYPES  
TO ALL GAAP FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUNDS			
	GENERAL	FEDERAL SPECIAL REVENUE FUND	HIGHWAY USERS TAX	OTHER GOVERNMENTAL FUNDS
<b>BUDGETARY BASIS:</b>				
Revenues and Transfers-In Appropriated (Required Supplementary Information):				
General	\$ 12,273,074	\$ -	\$ -	\$ 96,199
Cash	1,069,583	-	283,843	2,427,121
Federal	4,304,168	-	-	264
Sub-Total Revenues and Transfers-In Appropriated	<u>17,646,825</u>	<u>-</u>	<u>283,843</u>	<u>2,523,584</u>
Revenues and Transfers-In Non-Appropriated (Supplementary Information):				
General	1,956,640	-	-	-
Cash	5,741,735	7,553	2,064,578	3,860,974
Federal	4,982,981	881,946	620,418	793,729
Sub-Total Revenues and Transfers-In Non-Appropriated	<u>12,681,356</u>	<u>889,499</u>	<u>2,684,996</u>	<u>4,654,703</u>
Total Revenues and Transfers-In Appropriated and Non-Appropriated	<u>30,328,181</u>	<u>889,499</u>	<u>2,968,839</u>	<u>7,178,287</u>
Expenditures/Expenses and Transfers-Out Appropriated (Required Supplementary Information):				
General Funded	10,675,510	-	-	104,877
Cash Funded	1,068,302	-	284,946	1,816,532
Federally Funded	4,288,918	-	-	-
Expenditures/Expenses and Transfers-Out Appropriated	<u>16,032,730</u>	<u>-</u>	<u>284,946</u>	<u>1,921,409</u>
Expenditures/Expenses and Transfers-Out Non-Appropriated (Supplementary Information):				
General Funded	1,768,843	-	-	-
Cash Funded	4,846,771	-	2,317,836	3,147,030
Federally Funded	4,997,578	4,397,312	569,311	577,718
Expenditures/Expenses and Transfers-Out Non-Appropriated	<u>11,613,192</u>	<u>4,397,312</u>	<u>2,887,147</u>	<u>3,724,748</u>
Expenditures/Expenses and Transfers-Out Appropriated and Non-Appropriated	<u>27,645,922</u>	<u>4,397,312</u>	<u>3,172,093</u>	<u>5,646,157</u>
Excess of Revenues and Transfers-In Over (Under)				
Expenditures and Transfers-Out - Budget Basis - Appropriated	1,614,095	-	(1,103)	602,175
Excess of Revenues and Transfers-In Over (Under)				
Expenditures and Transfers-Out - Non-Appropriated	1,068,164	(3,507,813)	(202,151)	929,955
<b>BUDGETARY BASIS ADJUSTMENTS:</b>				
Increase/(Decrease) for Unrealized Gains/Losses	23,075	(17,647)	(19,903)	(6,370)
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	934,553	3,477,955	711,631	1,383,335
Increase/(Decrease) for GAAP Revenue Adjustments	(1,495,817)	37,528	(714,385)	(1,623,074)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	<u>2,144,070</u>	<u>(9,977)</u>	<u>(225,911)</u>	<u>1,286,021</u>
<b>GAAP BASIS FUND BALANCES/NET POSITION:</b>				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	2,401,594	21,350	978,353	6,090,424
Prior Period Adjustments (See Note 15A)	-	-	-	39,720
Accounting Changes (See Note 15B)	-	-	-	19,862
NET POSITION - FISCAL YEAR BEGINNING (RESTATED)	<u>2,401,594</u>	<u>21,350</u>	<u>978,353</u>	<u>6,150,006</u>
FUND BALANCE/NET POSITION, FISCAL YEAR END	\$ 4,545,664	\$ 11,373	\$ 752,442	\$ 7,436,027

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



PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	TRANSPORTATION ENTERPRISE	UNEMPLOYMENT INSURANCE	HEALTHCARE AFFORDABILITY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	TOTAL PRIMARY GOVERNMENT	FIDUCIARY FUND TYPES
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,369,273	\$ -
2,623,943	-	11,029	1,126,820	376,381	420,429	8,339,149	2,246
-	-	-	2,948,793	(130)	-	7,253,095	-
2,623,943	-	11,029	4,075,613	376,251	420,429	27,961,517	2,246
-	-	-	-	-	-	1,956,640	-
575,832	54,642	594,668	21,949	1,119,597	79,253	14,120,781	6,334,304
413,314	16,420	6,994,675	94,763	320,538	-	15,118,784	-
989,146	71,062	7,589,343	116,712	1,440,135	79,253	31,196,205	6,334,304
3,613,089	71,062	7,600,372	4,192,325	1,816,386	499,682	59,157,722	6,336,550
-	-	-	-	-	-	10,780,387	-
2,547,946	-	3,705	1,114,635	307,328	396,695	7,540,089	2,112
-	-	-	2,948,780	-	-	7,237,698	-
2,547,946	-	3,705	4,063,415	307,328	396,695	25,558,174	2,112
-	-	-	-	-	-	1,768,843	-
623,287	34,990	3,064,261	21,979	924,756	86,997	15,067,907	4,181,508
431,071	-	6,495,332	94,778	337,036	-	17,900,136	-
1,054,358	34,990	9,559,593	116,757	1,261,792	86,997	34,736,886	4,181,508
3,602,304	34,990	9,563,298	4,180,172	1,569,120	483,692	60,295,060	4,183,620
75,997	-	7,324	12,198	68,923	23,734	2,403,343	134
(65,212)	36,072	(1,970,250)	(45)	178,343	(7,744)	(3,540,681)	2,152,796
-	(8,809)	(14)	601	(12,689)	(1,498)	(43,254)	(60,802)
-	-	-	-	-	-	-	-
18,749	(24,421)	137,503	(35,144)	144,812	88,415	6,837,388	(322,931)
9,505	-	(39,714)	1,681	(42,697)	(1,113)	(3,868,086)	312,305
2,063,308	-	-	-	-	-	2,063,308	-
2,102,347	2,842	(1,865,151)	(20,709)	336,692	101,794	3,852,018	2,081,502
3,104,807	1,360,633	(1,531)	74,947	574,844	(400,273)	14,205,148	9,680,772
168,003	-	-	13,671	15	-	221,409	(15)
274	-	-	-	331	-	20,467	817,589
3,273,084	1,360,633	(1,531)	88,618	575,190	(400,273)	14,447,024	10,498,346
\$ 5,375,431	\$ 1,363,475	\$ (1,866,682)	\$ 67,909	\$ 911,882	\$ (298,479)	18,299,042	\$ 12,579,848

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### NOTE RSI-1 – BUDGETARY INFORMATION

#### A. BUDGETARY BASIS

Budget schedules are presented as appropriated and nonappropriated for each category. The appropriated schedules are part of the Required Supplementary Information (RSI) section while the nonappropriated schedules are part of the Supplementary Information (SI) section.

The three budget-to-actual schedules in the RSI show revenues and expenditures that are legislatively appropriated, excluding informational only appropriations that do not require action of the legislature but are included in the appropriations bills for informational purposes only. These schedules are presented in the budgetary fund structure discussed below.

Budgetary fund types differ from fund types proscribed by generally accepted accounting principles. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds include financial resources designated to support specific expenditures. Federal funds primarily include revenues received from the federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures until appropriated.

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to non-administrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.
- Pension expense related to unfunded pension liabilities are not recognized on a budgetary basis.

## **B. BUDGETARY PROCESS**

The financial operations of the legislative, judicial, and executive branches of the State government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the State into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure and institution of higher education capital projects.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

Most general and cash funded appropriations, with the exception of capital projects, lapse at year-end unless specifically required by the General Assembly or executive action is taken to rollforward all or part of the remaining unspent budget authority. Appropriations that meet the strict criteria for rollforward are reported in Note 19. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act and special bills, excluding informational only appropriations. The column titled Final Spending Authority includes the original appropriation and supplemental appropriations of the Legislature.

Spending occurs outside of the legislative appropriations process primarily for custodial purposes, federally-funded activity for which there is no general-purpose revenue matching requirement, statutory transfers, and other miscellaneous budgetary items. Additional budget-to-actual schedules related to nonappropriated activity are included in the Supplementary Section of the Annual Comprehensive Financial Report.

## **C. OVEREXPENDITURES**

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as noted above. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 2. Some transactions considered revenues for budgetary

purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

#### **D. BUDGET TO GAAP RECONCILIATION**

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

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

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary schedules. These events and transactions are shown in the reconciliation as “Unrealized Gains/Losses” and/or “GAAP Revenue Adjustments.”

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

#### **E. OUTSTANDING ENCUMBRANCES**

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

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

**A. PROPORTIONATE SHARE OF PENSION LIABILITY AND CONTRIBUTIONS**

**Proportionate Share:**

The State, Judicial, Denver Public Schools, and Schools Divisions Trust Funds – which are defined benefit cost-sharing multiple-employer pension plans – are administered by the Public Employees’ Retirement Association (PERA). The schedule below presents the State’s (primary government) proportionate share of the net pension liability for its retirement Trusts. The amounts presented for each Division were determined as of the measurement date, which is the calendar year-end that occurred within the State’s fiscal year. Information is not available prior to Calendar Year 2013 for the State and Judicial Divisions, and Calendar Year 2018 for the Denver Public Schools, Schools, and State and Judicial NCE Divisions.

State Division								
(Amounts In Thousands)								
	CY 2020	CY 2019	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014	CY 2013
State's proportion of the net pension liability	95.60%	95.49%	95.40%	95.37%	95.49%	95.71%	95.85%	95.86%
State's proportionate share of Net Pension liability	\$ 9,066,999	\$ 9,265,778	\$ 10,855,754	\$ 19,091,149	\$ 17,539,728	\$ 10,079,252	\$ 9,016,144	\$ 8,539,181
State's covered payroll	\$ 3,132,159	\$ 3,376,294	\$ 3,262,962	\$ 2,796,014	\$ 2,751,094	\$ 2,687,152	\$ 2,586,800	\$ 2,570,286
State's proportionate share of the net pension liability as a percentage of its covered payroll	289.48%	274.44%	332.70%	682.80%	637.55%	375.09%	348.54%	332.23%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	62.24%	55.11%	43.20%	42.59%	56.11%	59.84%	61.00%

Judicial Division								
(Amounts In Thousands)								
	CY 2020	CY 2019	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014	CY 2013
State's proportion of the net pension liability	93.49%	94.28%	94.06%	93.99%	94.17%	93.98%	93.60%	93.44%
State's proportionate share of Net Pension liability	\$ 57,929	\$ 85,727	\$ 132,873	\$ 218,136	\$ 239,423	\$ 172,824	\$ 129,499	\$ 102,756
State's covered payroll	\$ 52,027	\$ 55,934	\$ 55,706	\$ 46,764	\$ 46,320	\$ 44,159	\$ 40,114	\$ 37,203
State's proportionate share of the net pension liability as a percentage of its covered payroll	111.34%	153.27%	238.52%	466.46%	516.89%	391.37%	322.83%	276.20%
Plan fiduciary net position as a percentage of the total pension liability	87.06%	80.02%	68.48%	58.70%	53.19%	60.13%	66.89%	77.41%

Denver Public Schools Division			
(Amounts In Thousands)			
	CY 2020*	CY 2019	CY 2018
State's proportion of the net pension liability	0.00%	30.71%	34.13%
State's proportionate share of Net Pension liability	\$ -	\$ 202,321	\$ 349,095
Plan fiduciary net position as a percentage of the total pension liability	90.48%	84.73%	75.69%

Schools Division			
(Amounts In Thousands)			
	CY 2020*	CY 2019	CY 2018
State's proportion of the net pension liability	0.00%	11.26%	12.03%
State's proportionate share of Net Pension liability	\$ -	\$ 1,681,628	\$ 2,129,952
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%

State Division as a Non-Employer Contributing Entity			
(Amounts In Thousands)			
	CY 2020*	CY 2019	CY 2018
State's proportion of the net pension liability	0.00%	0.51%	0.55%
State's proportionate share of Net Pension liability	\$ -	\$ 49,203	\$ 62,292

Judicial Division as a Non-Employer Contributing Entity			
(Amounts In Thousands)			
	CY 2020*	CY 2019	CY 2018
State's proportion of the net pension liability	0.00%	0.64%	0.85%
State's proportionate share of Net Pension liability	\$ -	\$ 582	\$ 1,199

\*The General Assembly passed House Bill 20-1379 which suspended contributions for Fiscal Year 2021 due to the COVID-19 pandemic; therefore, no liability was recognized. See Note 6 for additional information.

**Contributions:**

The following schedule presents a ten-year history of the State’s (primary government’s) contribution to PERA for the State and Judicial Divisions for each fiscal year ending June 30. For the Fiscal Years 2020 and 2019 State and Judicial Trust Divisions, figures reported for the contributions as a percentage of covered payroll differs from the actual employer contribution rate specified in statute due to additional contractually required contributions directly distributed to PERA in accordance with Senate Bill 18-200. In addition, the State made statutorily required non-employer contributions for its Fiscal Years 2019 and 2020 to the State and Judicial Trust Divisions that are not reflected in the tables below (see Note 6 for additional information).

**State Division**

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Contractually required contributions	625,966	673,795	639,485	541,295	516,932	484,588	\$ 446,528	\$ 413,694	\$ 362,791	\$ 272,068
Contributions in relation to the contractually required contributions	(625,966)	(673,795)	(639,485)	(541,295)	(516,932)	(484,588)	(446,528)	(413,694)	(362,791)	(272,068)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	3,144,787	3,455,535	3,320,884	2,829,559	2,767,479	2,725,417	2,645,149	2,590,401	2,479,774	2,422,689
Contributions as a percentage of covered payroll	19.90%	19.50%	19.26%	19.13%	18.68%	17.78%	16.88%	15.97%	14.63%	11.23%

**Judicial Division**

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Contractually required contributions	\$ 8,488	\$ 11,601	\$ 10,031	\$ 7,754	\$ 7,546	\$ 7,571	\$ 6,878	\$ 6,218	\$ 5,677	\$ 4,258
Contributions in relation to the contractually required contributions	(8,488)	(11,601)	(10,031)	(7,754)	(7,546)	(7,571)	(6,878)	(6,218)	(5,677)	(4,258)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	51,796	57,548	56,296	47,454	46,181	46,332	42,088	38,057	41,019	30,766
Contributions as a percentage of covered payroll	16.39%	20.16%	17.82%	16.34%	16.34%	16.34%	16.34%	16.34%	13.84%	13.84%

The schedule on the following page presents a three-year history of the State’s (primary government’s) Senate Bill 18-200 contractually required contributions to PERA for the Denver Public Schools and Schools Divisions, and the State and Judicial Divisions for which the State is a non-employer contributing entity for each fiscal year ending June 30.

**Denver Public Schools Division**

	FY 2021*	FY 2020	FY 2019
Contractually required contributions	-	\$ 19,201	\$ 18,622
Contributions in relation to the contractually required contributions	-	(19,201)	(18,622)
Contribution deficiency(excess)	-	-	-

**Schools Division**

	FY 2021*	FY 2020	FY 2019
Contractually required contributions	-	\$ 127,367	\$ 126,505
Contributions in relation to the contractually required contributions	-	(127,367)	(126,505)
Contribution deficiency(excess)	-	-	-

**State Division as a Non-Employer Contributing Entity**

	FY 2021*	FY 2020	FY 2019
Contractually required contributions	-	\$ 3,480	\$ 3,607
Contributions in relation to the contractually required contributions	-	(3,480)	(3,607)
Contribution deficiency(excess)	-	-	-

**Judicial Division as a Non-Employer Contributing Entity**

	FY 2021*	FY 2020	FY 2019
Contractually required contributions	-	\$ 77	\$ 82
Contributions in relation to the contractually required contributions	-	(77)	(82)
Contribution deficiency(excess)	-	-	-

\*The General Assembly passed House Bill 20-1379 which suspended contributions for Fiscal Year 2021 due to the COVID-19 pandemic; therefore, no liability was recognized. See Note 6 for additional information.

**University of Colorado Schedule of Changes in Alternate Medicare Payments Total Pension Liability and Related Ratios**

Alternate Medicare Payment	Fiscal Year Ending				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Service cost	\$ 4,854	4,360	3,985	4,262	3,194
Interest on total AMP pension liability	3,295	3,339	2,751	2,231	2,391
Differences between expected and actual experience	(124)	(3,865)	(109)	(3,377)	(101)
Changes of assumptions	23,408	4,845	4,940	(3,180)	10,999
Benefit payments	(1,828)	(1,692)	(1,566)	(1,448)	(1,349)
Net change in total pension liability	29,605	6,987	10,001	(1,512)	15,134
Total pension liability (beginning)	90,199	83,212	73,211	74,723	59,589
Total pension liability (ending)	\$ 119,804	90,199	83,212	73,211	74,723
Covered-employee payroll	\$ 1,692,641	1,436,909	1,369,276	1,187,065	943,644
Total pension liability as a percentage of payroll	7.08%	6.28%	6.08%	6.17%	7.92%

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

**PERA State and Judicial Trust Funds**

2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for State Troopers was changes to the PubS-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

#### 2019 Changes in Assumptions or Other Inputs Since 2018

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

#### 2018 Changes in Assumptions or Other Inputs Since 2017

- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.
- The SEIR for the School Division was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.
- The SEIR for the Judicial Division was increased from 5.41 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

#### 2017 Changes in Assumptions or Other Inputs Since 2016

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The SEIR for the Judicial Division was increased from 5.18 percent to 5.41 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR for the State and Judicial Divisions changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

#### 2016 Changes in Assumptions or Other Inputs Since 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.



- The post-retirement mortality assumption for healthy lives for the Judicial Division was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.
- The SEIR for the Judicial Division was lowered from 5.73 percent to 5.18 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.57 percent on the prior measurement date to 3.86 percent on the measurement date.

#### 2015 Changes in Assumptions or Other Inputs Since 2014

- The SEIR for the Judicial Division was lowered from 6.14 percent to 5.73 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 3.70 percent on the prior measurement date to 3.57 percent on the measurement date.
- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18-month AI timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

#### 2014 Changes in Assumptions or Other Inputs Since 2013

- The SEIR for the Judicial Division was lowered from 6.66 percent to 6.14 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

#### 2013 Changes in Assumptions or Other Inputs Since 2012

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

#### **University of Colorado Alternate Medicare Payments Plan**

Funded Status – no assets are held in trust to pay for plan benefits.

#### 2020 Changes in Assumptions or Other Inputs Since 2019

- Discount rate changed from 3.50 percent to 2.20 percent.
- Mortality table was updated from the PUB-2010 “Teachers” table with generational projection using Scale MP-2019 to the PUB-2010 “Teachers” table with generational projection using Scale MP-2020.

#### 2019 Changes in Assumptions or Other Inputs Since 2018

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from the PUB-2010 “Teachers” table with generational projection using Scale MP-2018 to the PUB-2010 “Teachers” table with generational projection using Scale MP-2019.

#### 2018 Changes in Assumptions or Other Inputs Since 2017

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used the PUB- 2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total Pension Liability of about 10 percent.

#### 2017 Changes in Assumptions or Other Inputs Since 2016

- Discount rate changed from 2.85 percent to 3.60 percent.
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females.
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females.
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:

- Mortality rates
- Withdrawal rates

#### 2016 Changes in Assumptions or Other Inputs

- A decrease in the discount rate from 3.85 percent to 2.85 percent.

**NOTE RSI-3 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) INFORMATION**

**A. PROPORTIONATE SHARE OF PERA HEALTH CARE TRUST FUNDS OPEB LIABILITY AND CONTRIBUTIONS**

**Proportionate Share:**

The State’s Health Care Trust Fund (HFTC) – a defined benefit cost-sharing multiple-employer other post-employment benefit plan – is administered by the Public Employees’ Retirement Association (PERA). The schedule below presents the State’s (primary government’s) proportionate share of the net OPEB liability for its OPEB plan. The amounts presented were determined as of the measurement date, which is the calendar year-end that occurred within the State’s fiscal year. Information is not available prior to Calendar Year 2016.

(Amounts In Thousands)	CY 2020	CY 2019	CY 2018	CY 2017	CY 2016
State's proportion (percentage) of the collective net OPEB liability	32.96%	32.75%	33.40%	33.71%	33.83%
State's proportionate share of the collective net OPEB liability	\$ 313,213	\$ 368,098	\$ 454,363	\$ 438,113	\$ 438,677
State's covered payroll	\$ 3,102,215	\$ 3,023,000	\$ 2,923,641	\$ 2,842,778	\$ 2,797,414
State's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	10.10%	12.18%	15.54%	15.41%	15.68%
Fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%	16.72%

**Contributions:**

The following schedule presents a ten-year history of the State’s (primary government’s) contribution to PERA for the HCTF as of each fiscal year ending June 30:

(Amounts In Thousands)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Contractually required contributions	\$ 31,408	\$ 31,659	\$ 30,171	\$ 29,346	\$ 28,699	\$ 28,272	\$ 27,410	\$ 26,810	\$ 25,712	\$ 25,025
Contributions in relation to the contractually required contributions	(31,408)	(31,659)	(30,171)	(29,346)	(28,699)	(28,272)	(27,410)	(26,810)	(25,712)	(25,025)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
State's covered payroll	3,079,159	3,103,809	2,957,937	2,877,013	2,813,660	2,771,749	2,687,237	2,628,458	2,520,793	2,453,455
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

**B. CHANGES IN THE TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS – UNIVERSITY OF COLORADO SYSTEM**

**CHANGES IN TOTAL UNIVERSITY OPEB LIABILITY AND RELATED RATIOS**

University OPEB Plan	(Amounts in Thousands)	Fiscal Year Ending June 30:			
		2021	2020	2019	2018
Service cost		\$ 49,138	53,400	49,754	53,099
Interest cost		26,392	34,254	28,404	24,648
Changes in benefit terms			-	-	-
Differences between expected and actual experience		287	(206,938)	(1,728)	(87,654)
Changes of assumptions		168,948	3,678	35,919	(46,406)
Benefit payments		(16,062)	(15,461)	(15,163)	(17,211)
Net change in total OPEB liability		228,703	(131,067)	97,186	(73,524)
Total OPEB liability (beginning)		712,892	843,959	746,773	820,297
Total OPEB liability (ending)		941,595	712,892	843,959	746,773
Covered-employee payroll		\$ 2,053,724	1,719,840	1,663,010	1,475,177
Total OPEB liability as a % of payroll		45.85%	41.45%	50.75%	50.62%

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

### PERA Health Care Trust Fund

#### 2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for State Troopers was changes to the PubS-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
  - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
  - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no significant changes in assumptions or other inputs effective for the December 31, 2019, December 31, 2018, or December 31, 2017 measurement periods for the PERA HCTF.

## **University of Colorado OPEB**

### 2020 Changes in Assumptions or Other Inputs Since 2019

- Discount rate changed from 3.50 percent to 2.20 percent.
- Mortality table was updated from the PUB-2010 “Teachers” table with generational projection using Scale MP-2019 to the PUB-2010 “Teachers” table with generational projection using Scale MP-2020.

### 2019 Changes in Assumptions or Other Inputs Since 2018

- Discount rate changed from 3.85 percent to 3.50 percent.
- Mortality table was updated from the PUB-2010 “Teachers” table with generational projection using Scale MP-2018 to the PUB-2010 “Teachers” table with generational projection using Scale MP-2019.
- Health care trend rates were updated.
- Health care claim costs and retiree contributions were updated based upon recent expenditures.

### 2018 Changes in Assumptions or Other Inputs Since 2017

- Discount rate changed from 3.60 percent to 3.85 percent.
- Mortality table was updated to reflect the Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries in January 2019. The specific assumption used the PUB-2010 Teachers Classification Table with generational projection using Scale MP-2018. The impact of this change was an increase in Total OPEB Liability of about 8 percent.

### 2017 Changes in Assumptions or Other Inputs Since 2016

- Discount rate changed from 2.85 percent to 3.60 percent.
- Health care trend rates were updated.
- Spouse age differential changed from zero years for males and females to spouses two years younger for males and one year older for females.
- Spouse coverage assumption changed from 54 percent for males and 22 percent for females to 60 percent for males and 40 percent for females for PERA participants.
- The following assumptions were updated based on the December 31, 2015 Colorado PERA assumption study:
  - Mortality Rates
  - Withdrawal Rates
  - Retirement rates (apply to PERA participants only)

## NOTE RSI-4

### **BUDGETARY COMPARISON SCHEDULE GENERAL FUND – GENERAL PURPOSE REVENUE COMPONENT**

The State of Colorado reports components of the General Fund segregated by revenues being either general purpose or special purpose. Special purpose revenues are fund component revenues which are not of a sufficient original source to qualify for reporting as a special revenue fund. The special purpose components of the General Fund are: State Public Schools, Risk Management, and Other Special Purpose. General purpose revenues are not designated for a specific purpose and are reported in the General Purpose Revenue component of the General Fund. The General Purpose Revenue component of the General Fund is the primary operating fund of the state and is used to account for all financial resources and activity not required to be accounted for in another fund. Refer to the Supplementary Information section for additional information on the General Fund components and combining statements for the General Fund.

This schedule is presented primarily to report the change in budgetary fund balance from the prior fiscal year. The change in budgetary fund balance, as reconciled to the state's financial statements, supports the state's budgetary process. Ending budgetary fund balance on this schedule combined with relevant revenue forecasts are used to determine the total amount to be appropriated for the following fiscal year.

Beginning budgetary fund balances, resources (inflows), and amounts available for appropriation for the original budget and final budget are based on quarterly economic forecasts prepared by the Governor's Office of State Planning and Budgeting. Beginning budgetary fund balance and resources (inflows) in the actual amounts column reconcile to the state's accounting system. The March 2020 forecast is used for the original budget and the December 2020 forecast is used for the final budget. Charges to appropriations (outflows) for original and final budget are derived from budgeted expenditures recorded in the state's accounting system and agree to appropriations made by the General Assembly.

The original and final budget does not include budgeted amounts for federal grants and contracts, fees and other funding sources/uses, and revenues/expenditures not budgeted because they are currently not forecasted by the Office of State Planning and Budget. Amounts are included in the actual column because the activity is accounted for in this component of the General Fund.

Certain state laws result in budget-to-GAAP differences. Section 24-75-201(2)(a)(II), C.R.S. excludes Medicaid revenues from inflows of budgetary resources but they are revenues for financial reporting. Section 24-75-201(2)(a)(III), C.R.S. excludes Medicaid expenditures from outflows of budgetary resources but they are expenditures for financial reporting. Section 24-75-201(2)(a)(IV), C.R.S. excludes some payroll-related expenditures from outflows of budgetary resources but they are expenditures for financial reporting. Section 24-75-201(2)(a)(IV), C.R.S. excludes specific information technology expenditures from outflows of budgetary resources but they are expenditures for financial reporting purposes. Refer to the Budget-to-GAAP Reconciliation for amounts related to these statutorily-based budget-to-GAAP differences as well as for information on other budget-to-GAAP differences.

State law (Section 24-75-201.1, C.R.S.) restricts state appropriations from this component of the General Fund so that budgetary resources will be available for use in a state fiscal emergency. A state fiscal emergency may be declared by the passage of a joint resolution which is approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. The statutory reserve for the fiscal year ended June 30, 2021 is \$314.0 million. The reserve is included in this schedule and therefore beginning and ending budgetary fund balance are net of the required reserve. A positive ending budgetary fund balance in the actual column indicates a reserve maintained in compliance with state law.

Senate Bill (SB) 21-277 established the State Emergency Reserve Cash Fund effective with the State's fiscal year ended June 30, 2021. The State Emergency Reserve Cash Fund is reported as the Emergency Reserve component of the State's general fund. The Emergency Reserve is a stabilization arrangement in addition to the general fund statutory reserve required by Section 24-75-201.1, C.R.S. Refer to the Stabilization Arrangements section of Note 15 for additional information on the Emergency Reserve.



**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - GENERAL PURPOSE REVENUE COMPONENT**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(DOLLARS IN THOUSANDS)

	Forecasted / Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Budgetary Basis	
Budgetary fund balance, June 30, 2020	\$ 1,461,379	\$ 1,461,379	\$ 1,461,379	
Prior period adjustment	(199,004)	(199,004)	(199,004)	
Budgetary fund balance, July 1, 2020	\$ 1,262,375	\$ 1,262,375	\$ 1,262,375	
Resources (Inflows):				
Sales and use tax	3,918,100	3,905,000	3,920,489	\$ 15,489
Other excise taxes	106,900	208,500	112,551	(95,949)
Individual income tax, net	7,963,150	7,372,010	8,305,502	933,492
Corporate income tax, net	750,550	619,490	1,117,777	498,287
Insurance tax	339,900	319,300	336,301	17,001
Pari-mutuel, courts, and other	29,300	30,000	45,332	15,332
Investment income	28,300	29,800	50,038	20,238
Transfers-in from other funds	17,400	325,100	332,883	7,783
Amounts available for appropriation	<u>14,415,975</u>	<u>14,071,575</u>	<u>15,483,248</u>	<u>1,411,673</u>
Charges to appropriations (outflows):				
Agriculture	11,344	14,796	14,795	1
Corrections	844,440	844,950	827,847	17,103
Education	3,939,029	4,019,313	4,015,590	3,723
Governor	36,354	86,064	84,167	1,897
Health Care Policy and Financing	3,453,134	3,211,347	3,100,791	110,556
Higher Education	607,815	608,308	607,950	358
Human Services	960,929	1,010,424	1,004,179	6,245
Judicial Branch	581,370	578,549	559,184	19,365
Labor and Employment	18,494	18,792	18,222	570
Law	14,285	14,284	13,765	519
Legislative Branch	54,558	53,660	53,626	34
Local Affairs	102,565	130,907	114,324	16,583
Military and Veterans Affairs	10,344	10,350	9,932	418
Natural Resources	40,496	40,496	33,236	7,260
Personnel and Administration	16,721	30,894	30,805	89
Public Health and Environment	61,111	64,391	63,908	483
Public Safety	152,051	148,122	138,450	9,672
Regulatory Agencies	1,941	1,941	1,906	35
Revenue	200,232	444,987	440,026	4,961
Transportation	1,000	1,000	949	51
Treasury	902,955	1,272,621	1,286,711	(14,090)
Nondepartmental:				
Transfers-out to capital projects fund	23,989	23,989	23,989	-
Total charges to appropriations	<u>12,035,157</u>	<u>12,630,185</u>	<u>12,444,352</u>	<u>185,833</u>
Budgetary reserves and amounts not forecasted or budgeted:				
Decrease in Contingency reserve - C.R.S. 24-75-201.1	47,300	47,300	47,300	
Release of prior year State Controller approved rollforwards	-	-	35,241	
State Controller approved rollforwards	-	-	(123,036)	
Net of revenues not forecasted and expenditures not budgeted	-	-	(130,865)	
Total budgetary reserves and amounts not forecasted or budgeted	<u>47,300</u>	<u>47,300</u>	<u>(171,360)</u>	
Budgetary fund balance, June 30, 2021	<u>\$ 2,428,118</u>	<u>\$ 1,488,690</u>	<u>\$ 2,867,536</u>	

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



**Budgetary Comparison Schedule**  
**General Fund- General Purpose Revenue Component**  
**Budget-to-GAAP Reconciliation**  
**For the Year Ended June 30, 2021**  
(Dollars in Thousands)

**Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

**Sources/inflows of resources:**

Actual amounts (budgetary basis) “available for appropriation” from the budgetary comparison schedule.	\$ 15,483,248
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,262,375)
Federal revenues not forecasted	9,245,417
Fee revenues and other funding sources not forecasted	752,951
Other revenues not forecasted	64,848
Deferred Medicaid revenues are excluded from inflows of budgetary resources but are revenues for financial reporting purposes - C.R.S. 24-75-201 (2) (a) (II).	(15,550)
Fair value of investments in excess of cost is excluded from inflows of budgetary resources but is revenue for financial reporting purposes.	39,428
Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control	(1,042,494)
Transfers are inflows of budgetary resources but are other financing sources for financial reporting purposes.	(528,219)
Face Amount of Bond/COP Issuance	-
Bond/COP Premium/Discount	-
Capital asset related proceeds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,337)
Insurance recoveries are not revenues for financial reporting purposes.	(19)
Total revenues as reported on the combining statement of revenues, expenditures, and changes in fund balances - general fund components	<u>\$ 22,735,898</u>

**Uses/outflows of resources and reserves:**

Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule.	12,444,352
Differences - budget to GAAP:	
Expenditures of federal grants and contracts not budgeted	9,252,323
Fee revenue and other funding uses not budgeted	730,308
Other expenditures not budgeted	211,450
Transfers to other funds are outflows of budgetary resources but are other financing uses for financial reporting purposes. (Adjusted for SC22 entries)	(6,088,688)
Deferred Medicaid expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201 (2) (a) (II).	27,181
Deferred payroll expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201 (2) (a) (III).	2,694
Deferred information technology expenditures are excluded from outflows of budgetary resources but are expenditures for financial reporting purposes - C.R.S. 24-75-201 (2) (a) (IV).	68
Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control.	(1,042,494)
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances—general fund components	<u>\$ 15,537,194</u>



## **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 FUNDS

The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year; most of the resources of the fund are transfers from the General Purpose Revenue component of the General 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.

### EMERGENCY RESERVE

The Emergency Reserve is part of the State's budgetary stabilization arrangements. The Emergency Reserve shall not be expended or appropriated for any purpose other than for an emergency declared by the Governor pursuant to Section 24-33.5-704(4). Refer to the Stabilization Arrangements section in Note 15 for additional information.

**COMBINING BALANCE SHEET  
GENERAL FUND COMPONENTS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS					TOTAL	INTRA-FUND RECEIVABLE ELIMINATIONS		TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOL	RISK MANAGEMENT	OTHER SPECIAL PURPOSE	EMERGENCY RESERVE				
<b>ASSETS:</b>									
Cash and Pooled Cash	\$ 2,317,652	\$ 1,028	\$ 28,773	\$ 167,704	\$ 201,000	\$ 2,716,157	\$ -	\$ 2,716,157	
Taxes Receivable, net	1,835,824	-	-	-	-	1,835,824	-	1,835,824	
Other Receivables, net	452,165	12,463	692	13,372	-	478,692	-	478,692	
Due From Other Governments	1,557,920	2,695	-	302	-	1,560,917	-	1,560,917	
Due From Other Funds	76,520	-	-	31,780	-	108,300	(8,335)	99,965	
Inventories	70,664	-	-	-	-	70,664	-	70,664	
Prepays, Advances and Deposits	50,799	-	-	15	-	50,814	-	50,814	
Restricted Cash and Pooled Cash	4	191,181	-	1,023,755	-	1,214,940	-	1,214,940	
Restricted Receivables	-	-	-	437	-	437	-	437	
Investments	12,909	-	-	-	-	12,909	-	12,909	
Other Long-Term Assets	1,546	-	-	23,950	-	25,496	-	25,496	
<b>TOTAL ASSETS</b>	<b>\$ 6,376,003</b>	<b>\$ 207,367</b>	<b>\$ 29,465</b>	<b>\$ 1,261,315</b>	<b>\$ 201,000</b>	<b>\$ 8,075,150</b>	<b>\$ (8,335)</b>	<b>\$ 8,066,815</b>	
<b>DEFERRED OUTFLOW OF RESOURCES:</b>									
	-	-	-	-	-	-	-	-	
<b>LIABILITIES:</b>									
Tax Refunds Payable	\$ 1,144,749	\$ -	\$ -	\$ -	\$ -	\$ 1,144,749	\$ -	\$ 1,144,749	
Accounts Payable and Accrued Liabilities	1,097,005	37,007	1,605	49,439	-	1,185,056	-	1,185,056	
TABOR Refund Liability (Note 2B)	547,872	-	-	-	-	547,872	-	547,872	
Due To Other Governments	266,475	-	-	24,195	-	290,670	-	290,670	
Due To Other Funds	50,344	-	-	-	-	50,344	(8,335)	42,009	
Unearned Revenue	142,194	-	-	1,255	-	143,449	-	143,449	
Claims and Judgments Payable	728	-	-	-	-	728	-	728	
Other Current Liabilities	9,819	-	-	31	-	9,850	-	9,850	
Deposits Held In Custody For Others	39	-	-	348	-	387	-	387	
<b>TOTAL LIABILITIES</b>	<b>3,259,225</b>	<b>37,007</b>	<b>1,605</b>	<b>75,268</b>	<b>-</b>	<b>3,373,105</b>	<b>(8,335)</b>	<b>3,364,770</b>	
<b>DEFERRED INFLOW OF RESOURCES:</b>									
	154,570	1,811	-	-	-	156,381	-	156,381	
<b>FUND BALANCES:</b>									
<b>Nonspendable:</b>									
Inventories	70,664	-	-	-	-	70,664	-	70,664	
Prepays	50,687	-	-	15	-	50,702	-	50,702	
Restricted	-	-	-	609,779	-	609,779	-	609,779	
Committed	314,000	168,549	27,860	576,253	201,000	1,287,662	-	1,287,662	
Assigned	123,036	-	-	-	-	123,036	-	123,036	
Unassigned	2,403,821	-	-	-	-	2,403,821	-	2,403,821	
<b>TOTAL FUND BALANCES</b>	<b>2,962,208</b>	<b>168,549</b>	<b>27,860</b>	<b>1,186,047</b>	<b>201,000</b>	<b>4,545,664</b>	<b>-</b>	<b>4,545,664</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,376,003</b>	<b>\$ 207,367</b>	<b>\$ 29,465</b>	<b>\$ 1,261,315</b>	<b>\$ 201,000</b>	<b>\$ 8,075,150</b>	<b>\$ (8,335)</b>	<b>\$ 8,066,815</b>	

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GENERAL FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	SPECIAL PURPOSE FUNDS					EMERGENCY RESERVE	TOTAL	INTRA-FUND TRANSFER ELIMINATIONS	TOTAL
	GENERAL PURPOSE REVENUE	STATE PUBLIC SCHOOLS	RISK MANAGEMENT	OTHER SPECIAL PURPOSE					
<b>REVENUES:</b>									
Taxes:									
Individual and Fiduciary Income	\$ 8,305,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,305,502	\$ -	\$ 8,305,502
Corporate Income	1,117,777	-	-	-	-	-	1,117,777	-	1,117,777
Sales and Use	3,920,489	-	-	-	-	-	3,920,489	-	3,920,489
Excise	112,551	-	-	-	-	-	112,551	-	112,551
Other Taxes	336,628	-	-	-	-	-	336,628	-	336,628
Licenses, Permits, and Fines	12,705	-	-	23,468	-	-	36,173	-	36,173
Charges for Goods and Services	21,061	-	48,682	326	-	-	70,069	-	70,069
Rents	2	-	-	-	-	-	2	-	2
Investment Income (Loss)	93,441	(4)	(356)	(5,234)	-	-	87,847	-	87,847
Federal Grants and Contracts	8,668,108	-	-	34,844	-	-	8,702,952	-	8,702,952
Other	147,634	1,301	261	33,961	-	-	183,157	-	183,157
<b>TOTAL REVENUES</b>	<b>22,735,898</b>	<b>1,297</b>	<b>48,587</b>	<b>87,365</b>	<b>-</b>	<b>-</b>	<b>22,873,147</b>	<b>-</b>	<b>22,873,147</b>
<b>EXPENDITURES:</b>									
Current:									
General Government	214,763	-	56,708	7,375	-	-	278,846	-	278,846
Business, Community, and Consumer Affairs	216,228	-	-	104,129	-	-	320,357	-	320,357
Education	464,023	5,329	-	6,615	-	-	475,967	-	475,967
Health and Rehabilitation	1,363,445	-	-	431	-	-	1,363,876	-	1,363,876
Justice	1,660,046	-	-	139	-	-	1,660,185	-	1,660,185
Natural Resources	41,023	-	-	26	-	-	41,049	-	41,049
Social Assistance	8,818,827	-	-	14,144	-	-	8,832,971	-	8,832,971
Capital Outlay	27,123	-	-	180,443	-	-	207,566	-	207,566
Cities	53,556	-	-	47,041	-	-	100,597	-	100,597
Counties	1,682,717	-	-	16,330	-	-	1,699,047	-	1,699,047
School Districts	873,848	3,812,411	-	274,047	-	-	4,960,306	-	4,960,306
Special Districts	51,981	-	-	23,813	-	-	75,794	-	75,794
Other	61,574	-	-	1,077	-	-	62,651	-	62,651
Debt Service	8,040	-	-	76,684	-	-	84,724	-	84,724
<b>TOTAL EXPENDITURES</b>	<b>15,537,194</b>	<b>3,817,740</b>	<b>56,708</b>	<b>752,294</b>	<b>-</b>	<b>-</b>	<b>20,163,936</b>	<b>-</b>	<b>20,163,936</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,198,704</b>	<b>(3,816,443)</b>	<b>(8,121)</b>	<b>(664,929)</b>	<b>-</b>	<b>-</b>	<b>2,709,211</b>	<b>-</b>	<b>2,709,211</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers-In	528,219	4,111,182	-	1,031,645	201,000	-	5,872,046	(4,971,414)	900,632
Transfers-Out	(6,088,688)	(146,781)	(1,729)	(323,518)	-	-	(6,560,716)	4,971,414	(1,589,302)
Face Amount of Bond/COP Issuance	-	-	-	98,030	-	-	98,030	-	98,030
Bond/COP Premium/Discount	-	-	-	19,932	-	-	19,932	-	19,932
Issuance of Capital Leases	502	-	-	-	-	-	502	-	502
Sale of Capital Assets	836	-	-	-	-	-	836	-	836
Insurance Recoveries	19	-	4,210	-	-	-	4,229	-	4,229
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,559,112)</b>	<b>3,964,401</b>	<b>2,481</b>	<b>826,089</b>	<b>201,000</b>	<b>-</b>	<b>(565,141)</b>	<b>-</b>	<b>(565,141)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,639,592</b>	<b>147,958</b>	<b>(5,640)</b>	<b>161,160</b>	<b>201,000</b>	<b>-</b>	<b>2,144,070</b>	<b>-</b>	<b>2,144,070</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>1,322,616</b>	<b>20,591</b>	<b>33,500</b>	<b>1,024,887</b>	<b>-</b>	<b>-</b>	<b>2,401,594</b>	<b>-</b>	<b>2,401,594</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 2,962,208</b>	<b>\$ 168,549</b>	<b>\$ 27,860</b>	<b>\$ 1,186,047</b>	<b>\$ 201,000</b>	<b>\$ -</b>	<b>\$ 4,545,664</b>	<b>\$ -</b>	<b>\$ 4,545,664</b>





## **OTHER GOVERNMENTAL FUNDS**

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

**Special Revenue Funds** - These funds are used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

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

**Capital Project Funds** - These funds are used to account for acquisition, construction, or improvement of State-owned facilities and certain equipment.

**Permanent Funds** - These funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support State programs.

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTALS
<b>ASSETS:</b>					
Cash and Pooled Cash	\$ 3,005,634	\$ -	\$ 1,578,674	\$ -	\$ 4,584,308
Taxes Receivable, net	61,821	-	-	-	61,821
Other Receivables, net	151,065	16	1,797	11,870	164,748
Due From Other Governments	59,494	341	4,818	-	64,653
Due From Other Funds	56,730	-	-	-	56,730
Inventories	179,646	-	-	-	179,646
Prepays, Advances and Deposits	46,237	-	-	5	46,242
Restricted Cash and Pooled Cash	744,947	151,894	2	100,245	997,088
Restricted Investments	882	-	-	1,323,593	1,324,475
Investments	143,684	-	1,894	-	145,578
Other Long-Term Assets	523,399	-	-	22,426	545,825
<b>TOTAL ASSETS</b>	<b>\$ 4,973,539</b>	<b>\$ 152,251</b>	<b>\$ 1,587,185</b>	<b>\$ 1,458,139</b>	<b>\$ 8,171,114</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
	-	-	-	4,847	4,847
<b>LIABILITIES:</b>					
Tax Refunds Payable	\$ 9,693	\$ -	\$ -	\$ -	\$ 9,693
Accounts Payable and Accrued Liabilities	191,835	3,925	15,499	4,922	216,181
Due To Other Governments	45,509	-	-	5	45,514
Due To Other Funds	50,688	-	28,189	203	79,080
Unearned Revenue	377,229	-	34	-	377,263
Claims and Judgments Payable	89	-	-	-	89
Other Current Liabilities	10,370	-	-	-	10,370
Deposits Held In Custody For Others	218	-	-	-	218
<b>TOTAL LIABILITIES</b>	<b>685,631</b>	<b>3,925</b>	<b>43,722</b>	<b>5,130</b>	<b>738,408</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
	1,526	-	-	-	1,526
<b>FUND BALANCES:</b>					
<b>Nonspendable:</b>					
Inventories	179,646	-	-	-	179,646
Permanent Fund Principal	-	-	-	1,438,292	1,438,292
Prepays	46,237	-	-	5	46,242
Restricted	837,757	148,326	5	-	986,088
Committed	3,222,742	-	1,543,458	19,559	4,785,759
<b>TOTAL FUND BALANCES</b>	<b>4,286,382</b>	<b>148,326</b>	<b>1,543,463</b>	<b>1,457,856</b>	<b>7,436,027</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,973,539</b>	<b>\$ 152,251</b>	<b>\$ 1,587,185</b>	<b>\$ 1,462,986</b>	<b>\$ 8,175,961</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT	TOTALS
<b>REVENUES:</b>					
Taxes:					
Individual and Fiduciary Income	\$ 808,701	\$ -	\$ -	\$ -	\$ 808,701
Corporate Income	65,899	-	-	-	65,899
Sales and Use	30,226	-	-	-	30,226
Excise	320,456	-	-	-	320,456
Other Taxes	225,497	-	-	-	225,497
Licenses, Permits, and Fines	440,745	-	-	-	440,745
Charges for Goods and Services	173,814	-	-	-	173,814
Rents	5,559	-	-	123,175	128,734
Investment Income (Loss)	(12,776)	1,377	16,184	92,848	97,633
Federal Grants and Contracts	585,035	-	19,133	-	604,168
Additions to Permanent Funds	139,560	-	-	1,568	141,128
Unclaimed Property Receipts	143,231	-	-	-	143,231
Other	54,611	490	27	14	55,142
<b>TOTAL REVENUES</b>	<b>2,980,558</b>	<b>1,867</b>	<b>35,344</b>	<b>217,605</b>	<b>3,235,374</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	67,576	-	10,461	979	79,016
Business, Community, and Consumer Affairs	520,225	-	-	-	520,225
Education	220,572	-	636	-	221,208
Health and Rehabilitation	187,627	-	487	-	188,114
Justice	270,761	-	10,761	-	281,522
Natural Resources	66,083	-	84	13,270	79,437
Social Assistance	226,967	-	3,286	-	230,253
Transportation	5,600	-	-	-	5,600
Capital Outlay	19,296	-	81,856	23,208	124,360
Intergovernmental:					
Cities	95,436	-	-	-	95,436
Counties	137,994	-	11	49	138,054
School Districts	662,697	-	-	-	662,697
Special Districts	26,485	-	-	-	26,485
Federal	2,281	-	-	-	2,281
Other	67,112	404	-	1	67,517
Debt Service	2,387	142,024	1	-	144,412
<b>TOTAL EXPENDITURES</b>	<b>2,579,099</b>	<b>142,428</b>	<b>107,583</b>	<b>37,507</b>	<b>2,866,617</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>401,459</b>	<b>(140,561)</b>	<b>(72,239)</b>	<b>180,098</b>	<b>368,757</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers-In	1,284,026	147,720	49,763	2	1,481,511
Transfers-Out	(740,527)	-	(523,035)	(147,161)	(1,410,723)
Face Amount of Bond/COP Issuance	-	13,907	662,931	-	676,838
Bond/COP Premium/Discount	-	-	158,117	-	158,117
Issuance of Capital Leases	4,206	-	-	-	4,206
Sale of Capital Assets	488	-	-	5,287	5,775
Insurance Recoveries	158	-	1,382	-	1,540
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>548,351</b>	<b>161,627</b>	<b>349,158</b>	<b>(141,872)</b>	<b>917,264</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>949,810</b>	<b>21,066</b>	<b>276,919</b>	<b>38,226</b>	<b>1,286,021</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>3,360,516</b>	<b>115,664</b>	<b>1,194,614</b>	<b>1,419,630</b>	<b>6,090,424</b>
Prior Period Adjustment (See Note 15A)	(28,728)	(3,482)	71,930	-	39,720
Accounting Changes (See Note 15B)	4,784	15,078	-	-	19,862
<b>FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED)</b>	<b>3,336,572</b>	<b>127,260</b>	<b>1,266,544</b>	<b>1,419,630</b>	<b>6,150,006</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 4,286,382</b>	<b>\$ 148,326</b>	<b>\$ 1,543,463</b>	<b>\$ 1,457,856</b>	<b>\$ 7,436,027</b>



## **CAPITAL PROJECTS FUND COMPONENTS**

Transactions related to resources obtained and used for acquisition, construction, or improvement of State owned facilities and certain equipment are accounted for in the Capital Projects Fund, unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund. For legal compliance purposes, the Capital Projects Fund is segregated into the following components:

### **REGULAR CAPITAL PROJECTS**

This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.

### **SPECIAL CAPITAL PROJECTS**

This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

**COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND COMPONENTS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
<b>ASSETS:</b>			
Cash and Pooled Cash	\$ 1,557,912	\$ 20,762	\$ 1,578,674
Other Receivables, net	1,789	8	1,797
Due From Other Governments	3,106	1,712	4,818
Restricted Cash and Pooled Cash	-	2	2
Investments	-	1,894	1,894
<b>TOTAL ASSETS</b>	<b>\$ 1,562,807</b>	<b>\$ 24,378</b>	<b>\$ 1,587,185</b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 14,671	\$ 828	\$ 15,499
Due To Other Funds	28,189	-	28,189
Unearned Revenue	34	-	34
<b>TOTAL LIABILITIES</b>	<b>42,894</b>	<b>828</b>	<b>43,722</b>
<b>FUND BALANCES:</b>			
Restricted	-	5	5
Committed	1,519,913	23,545	1,543,458
<b>TOTAL FUND BALANCES</b>	<b>1,519,913</b>	<b>23,550</b>	<b>1,543,463</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,562,807</b>	<b>\$ 24,378</b>	<b>\$ 1,587,185</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUND COMPONENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
<b>REVENUES:</b>			
Investment Income (Loss)	\$ 15,755	\$ 429	\$ 16,184
Federal Grants and Contracts	8,914	10,219	19,133
Other	25	2	27
<b>TOTAL REVENUES</b>	<b>24,694</b>	<b>10,650</b>	<b>35,344</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	6,829	3,632	10,461
Education	636	-	636
Health and Rehabilitation	487	-	487
Justice	9,810	951	10,761
Natural Resources	84	-	84
Social Assistance	3,203	83	3,286
Capital Outlay	74,924	6,932	81,856
Intergovernmental:			
Counties	11	-	11
Debt Service	1	-	1
<b>TOTAL EXPENDITURES</b>	<b>95,985</b>	<b>11,598</b>	<b>107,583</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(71,291)</b>	<b>(948)</b>	<b>(72,239)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-In	38,474	11,289	49,763
Transfers-Out	(516,534)	(6,501)	(523,035)
Face Amount of Bond/COP Issuance	662,931	-	662,931
Bond/COP Premium/Discount	158,117	-	158,117
Insurance Recoveries	131	1,251	1,382
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>343,119</b>	<b>6,039</b>	<b>349,158</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>271,828</b>	<b>5,091</b>	<b>276,919</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>1,176,155</b>	<b>18,459</b>	<b>1,194,614</b>
Prior Period Adjustment (See Note 15A)	71,930	-	71,930
<b>FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED)</b>	<b>1,248,085</b>	<b>18,459</b>	<b>1,266,544</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 1,519,913</b>	<b>\$ 23,550</b>	<b>\$ 1,543,463</b>

## **SPECIAL REVENUE FUNDS**

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
RESOURCE EXTRACTION	This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with the regulation of mining activities. Expenditures include distributions to local governments, regulatory costs, and loans to special districts and local governments for water projects.
STATE EDUCATION	The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11, and by inflation thereafter.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.



RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types.

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	LABOR	RESOURCE EXTRACTION	STATE EDUCATION	GAMING
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 192,271	\$ 697,992	\$ -	\$ 184,374
Taxes Receivable, net	17,816	465	-	18,673
Other Receivables, net	3,223	39,716	-	458
Due From Other Governments	1,337	2,774	-	14
Due From Other Funds	34,408	21,211	-	-
Inventories	102,391	76,558	-	-
Prepays, Advances and Deposits	1,143	8,409	-	1,094
Restricted Cash and Pooled Cash	137,118	33,714	565,328	8,371
Restricted Investments	882	-	-	-
Investments	443	-	-	-
Other Long-Term Assets	-	498,879	-	-
<b>TOTAL ASSETS</b>	<b>\$ 491,032</b>	<b>\$ 1,379,718</b>	<b>\$ 565,328</b>	<b>\$ 212,984</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>				
	-	-	-	-
<b>LIABILITIES:</b>				
Tax Refunds Payable	\$ -	\$ -	\$ -	\$ -
Accounts Payable and Accrued Liabilities	55,919	22,307	7,745	2,693
Due To Other Governments	-	23,757	-	19,664
Due To Other Funds	787	349	-	44,690
Unearned Revenue	74,876	1,460	-	1,181
Claims and Judgments Payable	77	-	-	-
Other Current Liabilities	591	-	-	-
Deposits Held In Custody For Others	-	-	-	5
<b>TOTAL LIABILITIES</b>	<b>132,250</b>	<b>47,873</b>	<b>7,745</b>	<b>68,233</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>				
	-	465	-	-
<b>FUND BALANCES:</b>				
<b>Nonspendable:</b>				
Inventories	102,391	76,558	-	-
Prepays	1,143	8,409	-	1,094
Restricted	138,000	46,799	557,583	49,098
Committed	117,248	1,199,614	-	94,559
<b>TOTAL FUND BALANCES</b>	<b>358,782</b>	<b>1,331,380</b>	<b>557,583</b>	<b>144,751</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 491,032</b>	<b>\$ 1,379,718</b>	<b>\$ 565,328</b>	<b>\$ 212,984</b>

TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ 100,046	\$ 35,801	\$ 169,368	\$ 327,270	\$ 1,298,512	\$ 3,005,634
16	-	-	-	24,851	61,821
58,634	30	7,807	1,132	40,065	151,065
1,441	-	34,716	-	19,212	59,494
-	750	-	-	361	56,730
-	-	697	-	-	179,646
10	-	36	3	35,542	46,237
-	-	-	-	416	744,947
-	-	-	-	-	882
-	-	-	143,199	42	143,684
-	-	-	-	24,520	523,399
<b>\$ 160,147</b>	<b>\$ 36,581</b>	<b>\$ 212,624</b>	<b>\$ 471,604</b>	<b>\$ 1,443,521</b>	<b>\$ 4,973,539</b>
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ 9,693	\$ 9,693
24,017	825	13,927	820	63,582	191,835
164	492	151	-	1,281	45,509
3,141	-	48	3	1,670	50,688
-	5	5,188	-	294,519	377,229
-	-	-	-	12	89
-	25	2,858	-	6,896	10,370
-	-	-	-	213	218
<b>27,322</b>	<b>1,347</b>	<b>22,172</b>	<b>823</b>	<b>377,866</b>	<b>685,631</b>
16	-	-	-	1,045	1,526
-	-	697	-	-	179,646
10	-	36	3	35,542	46,237
34,670	6,666	4,941	-	-	837,757
98,129	28,568	184,778	470,778	1,029,068	3,222,742
<b>132,809</b>	<b>35,234</b>	<b>190,452</b>	<b>470,781</b>	<b>1,064,610</b>	<b>4,286,382</b>
\$ 160,147	\$ 36,581	\$ 212,624	\$ 471,604	\$ 1,443,521	\$ 4,973,539

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	LABOR	RESOURCE EXTRACTION	STATE EDUCATION	GAMING
<b>REVENUES:</b>				
Taxes:				
Individual and Fiduciary Income	\$ -	\$ -	\$ 808,701	\$ -
Corporate Income	-	-	65,899	-
Sales and Use	-	-	-	-
Excise	-	-	-	-
Other Taxes	59,422	4,702	-	128,627
Licenses, Permits, and Fines	798	4,751	-	2,905
Charges for Goods and Services	88	16,588	-	235
Rents	-	44	-	-
Investment Income (Loss)	(1,759)	1,745	979	(714)
Federal Grants and Contracts	194,166	97,446	37,000	129
Additions to Permanent Funds	-	-	-	-
Unclaimed Property Receipts	-	-	-	-
Other	4,050	2,273	21	2,436
<b>TOTAL REVENUES</b>	<b>256,765</b>	<b>127,549</b>	<b>912,600</b>	<b>133,618</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	31,228	-	-	-
Business, Community, and Consumer Affairs	221,860	17,821	-	23,601
Education	-	-	37,262	13,626
Health and Rehabilitation	52,254	470	-	-
Justice	42,258	-	-	-
Natural Resources	-	64,754	-	-
Social Assistance	2,824	-	-	-
Transportation	-	-	-	-
Capital Outlay	5,244	3,092	-	34
Intergovernmental:				
Cities	1,043	36,349	-	14,478
Counties	18,031	23,905	-	14,388
School Districts	13	1,924	584,663	143
Special Districts	86	19,768	-	214
Federal	25	1,170	-	-
Other	11,747	4,579	-	1,534
Debt Service	-	3	-	-
<b>TOTAL EXPENDITURES</b>	<b>386,613</b>	<b>173,835</b>	<b>621,925</b>	<b>68,018</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(129,848)</b>	<b>(46,286)</b>	<b>290,675</b>	<b>65,600</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	288,789	62,206	146,740	60,896
Transfers-Out	(265)	(90,832)	(54,590)	(61,332)
Issuance of Capital Leases	-	-	-	-
Sale of Capital Assets	-	488	-	-
Insurance Recoveries	-	-	-	52
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>288,524</b>	<b>(28,138)</b>	<b>92,150</b>	<b>(384)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>158,676</b>	<b>(74,424)</b>	<b>382,825</b>	<b>65,216</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>				
Prior Period Adjustment (See Note 15A)	228,834	1,405,804	174,758	79,535
Accounting Changes (See Note 15B)	(28,728)	-	-	-
<b>FUND BALANCE, FISCAL YEAR BEGINNING (RESTATED)</b>	<b>200,106</b>	<b>1,405,804</b>	<b>174,758</b>	<b>79,535</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 358,782</b>	<b>\$ 1,331,380</b>	<b>\$ 557,583</b>	<b>\$ 144,751</b>

TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 808,701
-	-	-	-	-	65,899
-	-	-	-	30,226	30,226
128,530	-	-	-	191,926	320,456
-	-	-	-	32,746	225,497
84,766	95	52,985	-	294,445	440,745
13	1,865	84,549	-	70,476	173,814
-	-	-	-	5,515	5,559
(2,148)	(21)	(963)	(3,073)	(6,822)	(12,776)
2,375	-	82,981	-	170,938	585,035
-	-	-	-	139,560	139,560
-	-	-	143,231	-	143,231
1,593	1,431	19,052	14	23,741	54,611
215,129	3,370	238,604	140,172	952,751	2,980,558
139	-	82	3,235	32,892	67,576
-	153	2,379	1,325	253,086	520,225
3,276	-	-	-	166,408	220,572
25,224	-	71,417	-	38,262	187,627
288	-	72,941	-	155,274	270,761
-	1,243	-	-	86	66,083
127,744	-	61,610	-	34,789	226,967
-	-	279	-	5,321	5,600
21	68	981	218	9,638	19,296
984	700	2,902	-	38,980	95,436
23,975	522	2,592	-	54,581	137,994
26,858	-	11	-	49,085	662,697
2,066	-	1,289	100	2,962	26,485
-	-	877	80	129	2,281
8,675	-	11,690	28	28,859	67,112
-	-	-	118	2,266	2,387
219,250	2,686	229,050	5,104	872,618	2,579,099
(4,121)	684	9,554	135,068	80,133	401,459
39,681	25,361	54,298	-	606,055	1,284,026
(68,532)	(45)	(13,233)	(65,363)	(386,335)	(740,527)
-	-	-	-	4,206	4,206
-	-	-	-	-	488
-	6	-	-	100	158
(28,851)	25,322	41,065	(65,363)	224,026	548,351
(32,972)	26,006	50,619	69,705	304,159	949,810
165,781	9,228	139,786	401,076	755,714	3,360,516
-	-	-	-	-	(28,728)
-	-	47	-	4,737	4,784
165,781	9,228	139,833	401,076	760,451	3,336,572
\$ 132,809	\$ 35,234	\$ 190,452	\$ 470,781	\$ 1,064,610	\$ 4,286,382



## **PERMANENT FUNDS**

### STATE LANDS

This fund consists of the assets, liabilities, and operations related to lands granted to the State by the federal government for educational purposes. This fund also includes unclaimed assets from estates or trusts with unknown beneficiaries. Per statute, these assets become property of the State after 21 years.

### OTHER PERMANENT TRUST

This fund category represents several minor permanent funds including Wildlife for Future Generations Fund and the Veterans Monument Preservation Fund.

**COMBINING BALANCE SHEET  
PERMANENT FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
<b>ASSETS:</b>			
Other Receivables, net	\$ 11,870	\$ -	\$ 11,870
Prepays, Advances and Deposits	5	-	5
Restricted Assets:			
Restricted Cash and Pooled Cash	80,686	19,559	100,245
Restricted Investments	1,323,593	-	1,323,593
Other Long-Term Assets	22,426	-	22,426
<b>TOTAL ASSETS</b>	<b>\$ 1,438,580</b>	<b>\$ 19,559</b>	<b>\$ 1,458,139</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
	4,847	-	4,847
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 4,922	\$ -	\$ 4,922
Due To Other Governments	5	-	5
Due To Other Funds	203	-	203
<b>TOTAL LIABILITIES</b>	<b>5,130</b>	<b>-</b>	<b>5,130</b>
<b>FUND BALANCES:</b>			
Nonspendable:			
Permanent Fund Principal	1,438,292	-	1,438,292
Prepays	5	-	5
Committed	-	19,559	19,559
<b>TOTAL FUND BALANCES</b>	<b>1,438,297</b>	<b>19,559</b>	<b>1,457,856</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,443,427</b>	<b>\$ 19,559</b>	<b>\$ 1,462,986</b>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
<b>REVENUES:</b>			
Rents	\$ 122,192	\$ 983	\$ 123,175
Investment Income (Loss)	93,155	(307)	92,848
Additions to Permanent Funds	1,568	-	1,568
Other	14	-	14
<b>TOTAL REVENUES</b>	<b>216,929</b>	<b>676</b>	<b>217,605</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	979	-	979
Natural Resources	13,270	-	13,270
Capital Outlay	23,208	-	23,208
Intergovernmental:			
Counties	49	-	49
Other	1	-	1
<b>TOTAL EXPENDITURES</b>	<b>37,507</b>	<b>-</b>	<b>37,507</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>179,422</b>	<b>676</b>	<b>180,098</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-In	2	-	2
Transfers-Out	(144,661)	(2,500)	(147,161)
Sale of Capital Assets	5,287	-	5,287
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(139,372)</b>	<b>(2,500)</b>	<b>(141,872)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>40,050</b>	<b>(1,824)</b>	<b>38,226</b>
<b>FUND BALANCE, FISCAL YEAR BEGINNING</b>	<b>1,398,247</b>	<b>21,383</b>	<b>1,419,630</b>
<b>FUND BALANCE, FISCAL YEAR END</b>	<b>\$ 1,438,297</b>	<b>\$ 19,559</b>	<b>\$ 1,457,856</b>

## OTHER ENTERPRISE FUNDS

These funds account for operations of State agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

### PARKS AND WILDLIFE

Expenses of this fund are to preserve the State's parks, wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.

### COLLEGE ASSIST

This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.

### LOTTERY

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

### STATE FAIR AUTHORITY

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

### CORRECTIONAL INDUSTRIES

This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.

### STATE NURSING HOMES

This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.

### PRISON CANTEENS

This activity accounts for the various canteen operations in the State's prison system.

### PETROLEUM STORAGE TANK

This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.

## OTHER ENTERPRISE ACTIVITIES

The other enterprise activities includes the State and CollegeInvest. The State includes the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

**COMBINING STATEMENT OF NET POSITION  
OTHER ENTERPRISE FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE LOTTERY	STATE FAIR AUTHORITY
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 296,008	\$ 169,089	\$ 63,697	\$ 9,475
Premiums/Taxes Receivable, net	-	-	-	-
Student and Other Receivables, net	18,846	-	34,594	35
Due From Other Governments	15,265	735	-	-
Due From Other Funds	8,548	-	-	-
Inventories	1,544	-	2,592	-
Prepays, Advances and Deposits	2,971	108	5,387	152
<b>Total Current Assets</b>	<b>343,182</b>	<b>169,932</b>	<b>106,270</b>	<b>9,662</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	150	40,069	-	-
Restricted Receivables	-	20,808	-	-
Other Long-Term Assets	275	-	-	-
Depreciable Capital Assets and Infrastructure, net	252,149	831	271	10,322
Land and Nondepreciable Capital Assets	435,506	-	-	3,272
<b>Total Noncurrent Assets</b>	<b>688,080</b>	<b>61,708</b>	<b>271</b>	<b>13,594</b>
<b>TOTAL ASSETS</b>	<b>1,031,262</b>	<b>231,640</b>	<b>106,541</b>	<b>23,256</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>34,803</b>	<b>719</b>	<b>2,397</b>	<b>592</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	23,805	101	5,808	1,430
Due To Other Governments	-	19,167	70	-
Due To Other Funds	1,223	-	39,443	-
Unearned Revenue	54,691	-	-	588
Compensated Absences Payable	1,182	-	13	2
Leases Payable	-	-	-	-
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	313	7,167	57,088	3
<b>Total Current Liabilities</b>	<b>81,214</b>	<b>26,435</b>	<b>102,422</b>	<b>2,023</b>
<b>Noncurrent Liabilities:</b>				
Due to Other Funds	15,544	-	-	-
Deposits Held In Custody For Others	25	-	-	-
Accrued Compensated Absences	8,900	221	777	126
Capital Lease Payable	-	-	-	-
Notes, Bonds, and COPs Payable	-	-	-	-
Net Pension Liability	200,968	2,920	18,450	3,817
Other Postemployment Benefits	6,765	80	650	129
Other Long-Term Liabilities	-	-	14	-
<b>Total Noncurrent Liabilities</b>	<b>232,202</b>	<b>3,221</b>	<b>19,891</b>	<b>4,072</b>
<b>TOTAL LIABILITIES</b>	<b>313,416</b>	<b>29,656</b>	<b>122,313</b>	<b>6,095</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>55,513</b>	<b>635</b>	<b>6,068</b>	<b>2,498</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:	687,655	-	-	-
Restricted for:				
Other Purposes	31,961	-	2,533	-
Unrestricted	(22,480)	202,068	(21,976)	15,255
<b>TOTAL NET POSITION</b>	<b>\$ 697,136</b>	<b>\$ 202,068</b>	<b>\$ (19,443)</b>	<b>\$ 15,255</b>

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTAL
\$ -	\$ 24,483	\$ 7,192	\$ 3,685	\$ 178,112	\$ 751,741
-	-	-	26	235	261
1,510	1,840	-	3,466	518	60,809
447	2,434	-	-	169,819	188,700
706	-	-	-	7	9,261
7,392	54	999	-	171	12,752
-	89	-	-	168	8,875
10,055	28,900	8,191	7,177	349,030	1,032,399
-	-	-	-	102	40,321
-	-	-	-	-	20,808
622	-	-	-	-	897
3,316	25,883	1,969	18	10,479	305,238
977	3,867	-	-	4,281	447,903
4,915	29,750	1,969	18	14,862	815,167
14,970	58,650	10,160	7,195	363,892	1,847,566
3,152	22,242	1,593	1,200	4,982	71,680
3,521	4,870	3,336	2,387	229,973	275,231
-	371	-	-	-	19,608
2,740	-	-	-	15,451	58,857
-	663	-	-	3,293	59,235
67	208	-	1	31	1,504
-	328	-	-	-	328
-	-	-	-	600	600
-	90	-	14	-	64,675
6,328	6,530	3,336	2,402	249,348	480,038
-	-	-	-	-	15,544
-	-	-	-	-	25
963	2,615	317	724	1,243	15,886
-	1,104	-	-	-	1,104
-	-	-	-	56	56
25,281	89,908	5,853	6,819	23,950	377,966
886	3,143	204	234	691	12,782
-	-	-	-	-	14
27,130	96,770	6,374	7,777	25,940	423,377
33,458	103,300	9,710	10,179	275,288	903,415
8,798	19,904	1,268	2,082	7,183	103,949
4,293	-	1,969	18	12,000	705,935
-	-	-	-	-	34,494
(28,427)	(42,312)	(1,194)	(3,884)	74,403	171,453
\$ (24,134)	\$ (42,312)	\$ 775	\$ (3,866)	\$ 86,403	\$ 911,882

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE LOTTERY	STATE FAIR AUTHORITY
OPERATING REVENUES:	\$	\$	\$	\$
License and Permits	166,960	-	60	-
Tuition and Fees	7	-	-	-
Sales of Goods and Services	10,482	-	794,932	580
Investment Income (Loss)	-	(5,094)	-	-
Rental Income	-	-	-	872
Federal Grants and Contracts	38,689	75,285	-	-
Intergovernmental Revenue	38,630	-	-	-
Other	1,035	-	853	-
<b>TOTAL OPERATING REVENUES</b>	<b>255,803</b>	<b>70,191</b>	<b>795,845</b>	<b>1,452</b>
OPERATING EXPENSES:				
Salaries and Fringe Benefits	46,765	17,401	2,709	415
Operating and Travel	95,972	57,965	81,351	2,554
Cost of Goods Sold	1,006	-	18,875	-
Depreciation and Amortization	18,104	158	92	876
Intergovernmental Distributions	9,560	-	-	-
Debt Service	-	2,867	-	-
Prizes and Awards	2	1,143	516,932	321
<b>TOTAL OPERATING EXPENSES</b>	<b>171,409</b>	<b>79,534</b>	<b>619,959</b>	<b>4,166</b>
OPERATING INCOME (LOSS)	84,394	(9,343)	175,886	(2,714)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	532	-	-	-
Investment Income (Loss)	(1,487)	4,447	(135)	(63)
Rental Income	20,010	-	-	-
Gifts and Donations	11,781	-	-	393
Intergovernmental Distributions	-	-	(71,719)	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(776)	-	-	10
Insurance Recoveries from Prior Year Impairments	(108)	-	-	-
Debt Service	(4)	-	-	-
Other Expenses	-	-	-	-
Other Revenues	11	-	-	1,671
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>29,959</b>	<b>4,447</b>	<b>(71,854)</b>	<b>2,011</b>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	114,353	(4,896)	104,032	(703)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	84,137	-	-	2,041
Additions to Permanent Endowments	-	-	-	-
Transfers-In	43,243	-	-	6,025
Transfers-Out	(4,141)	(105)	(98,270)	(54)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>123,239</b>	<b>(105)</b>	<b>(98,270)</b>	<b>8,012</b>
CHANGE IN NET POSITION	237,592	(5,001)	5,762	7,309
NET POSITION - FISCAL YEAR BEGINNING	459,544	207,069	(25,205)	7,946
Prior Period Adjustments (See Note 15A)	-	-	-	-
Accounting Changes (See Note 15B)	-	-	-	-
NET POSITION - FISCAL YEAR BEGINNING (RESTATED)	459,544	207,069	(25,205)	7,946
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 697,136</b>	<b>\$ 202,068</b>	<b>\$ (19,443)</b>	<b>\$ 15,255</b>

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$	\$	\$	\$	\$	\$
-	-	-	543	13,815	181,378
-	-	-	-	856	863
34,966	20,857	18,182	-	115,433	995,432
-	-	-	-	(450)	(5,544)
-	-	-	-	1,346	2,218
-	36,893	-	-	169,540	320,407
-	194	-	-	4	38,828
230	219	767	-	69	3,173
35,196	58,163	18,949	543	300,613	1,536,755
1,853	26,299	2,096	10,310	2,546	110,394
8,099	12,344	3,763	24,054	235,177	521,279
17,953	-	13,468	-	77	51,379
425	1,863	231	19	1,640	23,408
1	5,551	-	-	2,562	17,674
-	-	-	-	-	2,867
-	-	22	-	1	518,421
28,331	46,057	19,580	34,383	242,003	1,245,422
6,865	12,106	(631)	(33,840)	58,610	291,333
-	-	-	38,355	9,238	47,593
-	-	-	-	23	555
-	(464)	(63)	(262)	(124)	1,849
26	-	-	-	-	20,036
2	-	-	-	272	12,448
-	-	-	-	-	(71,719)
(33)	(4)	-	-	121	(682)
-	-	-	-	-	(108)
(62)	(50)	-	-	(65)	(181)
-	-	-	-	(14)	(14)
-	-	-	-	-	1,682
(67)	(518)	(63)	38,093	9,451	11,459
6,798	11,588	(694)	4,253	68,061	302,792
-	-	-	-	-	86,178
-	-	-	-	5	5
-	4,089	-	-	1,333	54,690
(39)	(2,658)	(79)	(966)	(661)	(106,973)
(39)	1,431	(79)	(966)	677	33,900
6,759	13,019	(773)	3,287	68,738	336,692
(30,893)	(55,331)	1,548	(7,153)	17,319	574,844
-	-	-	-	15	15
-	-	-	-	331	331
(30,893)	(55,331)	1,548	(7,153)	17,665	575,190
\$ (24,134)	\$ (42,312)	\$ 775	\$ (3,866)	\$ 86,403	\$ 911,882

**COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE LOTTERY	STATE FAIR AUTHORITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from:				
Tuition, Fees, and Student Loans	\$ -	\$ -	\$ -	\$ -
Fees for Service	176,929	-	-	861
Receipts for Interfund Services	-	-	-	-
Sales of Products	-	-	791,302	16
Gifts, Grants, and Contracts	42,376	78,396	-	-
Income from Property	20,010	-	-	872
Other Sources	41,495	3,994	942	172
Cash Payments to or for:				
Employees	(104,636)	(17,534)	(9,483)	(2,337)
Suppliers	(66,067)	-	(37,312)	(443)
Payments for Interfund Services	(3,779)	(130)	(382)	(54)
Sales Commissions and Lottery Prizes	(9,798)	-	(560,710)	-
Other Governments	(9,560)	-	-	-
Other	(12,735)	(66,632)	(59)	(1,472)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>74,235</b>	<b>(1,906)</b>	<b>184,298</b>	<b>(2,385)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers-In	43,243	-	-	8,066
Transfers-Out	(4,141)	(105)	(98,270)	(54)
Receipt of Deposits Held in Custody	1,479	-	-	-
Release of Deposits Held in Custody	(1,556)	-	-	-
Gifts and Grants for Other Than Capital Purposes	11,781	-	-	393
Intergovernmental Distributions	-	-	(70,895)	-
Unclaimed Property Fund Interest	-	-	-	1,671
NonCapital Debt Proceeds	-	-	-	-
NonCapital Debt Service Payments	-	-	-	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>50,806</b>	<b>(105)</b>	<b>(169,165)</b>	<b>10,076</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of Capital Assets	(143,659)	(517)	(555)	(4,177)
Proceeds from Sale of Capital Assets	111,036	436	490	2,062
Capital Debt Service Payments	-	-	-	-
Capital Lease Payments	-	-	-	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(32,623)</b>	<b>(81)</b>	<b>(65)</b>	<b>(2,115)</b>



CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 849	\$ 849
-	18,115	-	-	114,462	310,367
7,878	3	-	-	3,618	11,499
27,767	2,744	18,182	-	124	840,135
63	36,793	-	-	172	157,800
26	-	-	-	1,235	22,143
230	64	765	39,089	243,330	330,081
(11,690)	(46,526)	(3,205)	(12,389)	(8,673)	(216,473)
(23,177)	(9,483)	(15,894)	(455)	-	(152,831)
(161)	(86)	(55)	(4,122)	-	(8,769)
-	-	-	-	-	(570,508)
(706)	(5,621)	-	-	(2,562)	(18,449)
(82)	(85)	(22)	(23,431)	(227,735)	(332,253)
148	(4,082)	(229)	(1,308)	124,820	373,591
-	4,089	-	-	1,333	56,731
(39)	(2,658)	(79)	(966)	(661)	(106,973)
-	-	-	-	2	1,481
-	-	-	-	(2)	(1,558)
2	-	-	-	272	12,448
-	-	-	-	-	(70,895)
-	-	-	-	-	1,671
-	120	-	-	2	122
-	(120)	-	-	(2)	(122)
(37)	1,431	(79)	(966)	944	(107,095)
(259)	(1,648)	(626)	(31)	(902)	(152,374)
210	1,536	425	-	121	116,316
(62)	(1)	-	-	(654)	(717)
-	(378)	-	-	-	(378)
(111)	(491)	(201)	(31)	(1,435)	(37,153)

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE LOTTERY	STATE FAIR AUTHORITY
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	2,543	4,447	945	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	(4,030)	-	(1,080)	(63)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,487)</b>	<b>4,447</b>	<b>(135)</b>	<b>(63)</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>90,931</b>	<b>2,355</b>	<b>14,933</b>	<b>5,513</b>
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	205,227	206,803	48,764	3,962
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 296,158</b>	<b>\$ 209,158</b>	<b>\$ 63,697</b>	<b>\$ 9,475</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 84,394	\$ (9,343)	\$ 175,886	\$ (2,714)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	18,104	158	92	876
Investment/Rental Income and Other Revenue in Operating Income	-	-	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	20,511	-	-	10
(Gain)/Loss on Disposal of Capital and Other Assets	-	1	-	-
Compensated Absences Expense	244	53	47	5
Interest and Other Expense in Operating Income	3,147	-	65	53
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	(2,782)	1,997	(3,630)	(26)
(Increase) Decrease in Inventories	(131)	-	(860)	-
(Increase) Decrease in Other Operating Assets and Deferred Outflows	279	(44)	471	(134)
(Increase) Decrease in Pension Deferred Outflow	(15,096)	301	(927)	(37)
(Increase) Decrease in OPEB Deferred Outflow	(294)	4	10	1
Increase (Decrease) in Accounts Payable	2,210	4	1,736	998
Increase (Decrease) in Pension Liability	(6,628)	43	(2,140)	(1,963)
Increase (Decrease) in OPEB Liability	(1,299)	(12)	(180)	(96)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	6,139	5,462	17,449	479
Increase (Decrease) in Pension Deferred Inflow	(35,552)	(535)	(3,820)	95
Increase (Decrease) in OPEB Deferred Inflow	989	5	99	68
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 74,235</b>	<b>\$ (1,906)</b>	<b>\$ 184,298</b>	<b>\$ (2,385)</b>
<b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>				
Capital Assets Funded by the Capital Projects Fund	-	-	-	2,041
Capital Assets Acquired by Grants or Donations and Payable Increases	10,815	-	-	-
Loss on Disposal of Capital and Other Assets	842	-	-	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
-	241	136	65	617	8,994
-	(704)	(198)	(327)	(1,191)	(7,593)
-	(463)	(62)	(262)	(574)	1,401
-	(3,605)	(571)	(2,567)	123,755	230,744
-	28,088	7,763	6,252	54,459	561,318
\$ -	\$ 24,483	\$ 7,192	\$ 3,685	\$ 178,214	\$ 792,062

\$ 6,865    \$ 12,106    \$ (631)    \$ (33,840)    \$ 58,610    \$ 291,333

425	1,863	231	19	1,640	23,408
-	-	-	-	450	450
26	2	-	38,355	9,248	68,152
-	-	-	-	3	4
(357)	95	69	182	24	362
(156)	651	(98)	31	182	3,875
38	1,906	-	190	(167,516)	(169,823)
4,366	127	(327)	-	37	3,212
397	(43)	-	-	440	1,366
(615)	(12,785)	(1,073)	64	(1,978)	(32,146)
22	(421)	(33)	10	(58)	(759)
(1,745)	(308)	1,746	15	227,913	232,569
(2,610)	8,529	710	(807)	(52)	(4,918)
(245)	(114)	(4)	(67)	(93)	(2,110)
(424)	(714)	-	(4,000)	(63)	24,328
(5,968)	(15,353)	(846)	(1,496)	(4,076)	(67,551)
129	377	27	36	109	1,839
\$ 148	\$ (4,082)	\$ (229)	\$ (1,308)	\$ 124,820	\$ 373,591

-                    -                    -                    -                    -                    2,041  
-                    -                    -                    -                    -                    10,815  
33                    6                    -                    -                    (124)                    757  
-                    (20)                    -                    -                    (15)                    (35)



## INTERNAL SERVICE FUNDS

These funds account for operations of State agencies that provide a majority of their services to other State agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other State agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
STATEWIDE FINANCIAL INFORMATION TECHNOLOGY SYSTEMS CASH FUND	This fund accounts for information technology maintenance and upgrades as well as direct and indirect costs of the department in connection with Statewide financial and human resources information technology systems.
INFORMATION TECHNOLOGY	This fund accounts for computer and telecommunications services sold to other State agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining State office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to State agencies by the Department of Public Safety.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
LEGAL SERVICES	This fund accounts for the Attorney General's services to State agencies in the Department of Law.
OTHER INTERNAL SERVICE ACTIVITIES	This fund primarily accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to State agencies on a straight commission basis.

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and Pooled Cash	\$ 14,514	\$ 2,296	\$ 57,983	\$ 7,079
Other Receivables, net	1,223	-	104	3
Due From Other Governments	-	-	81	-
Due From Other Funds	168	-	716	-
Inventories	640	-	-	93
Prepays, Advances and Deposits	17	53	6,795	-
<b>Total Current Assets</b>	<b>16,562</b>	<b>2,349</b>	<b>65,679</b>	<b>7,175</b>
<b>Noncurrent Assets:</b>				
Restricted Cash and Pooled Cash	-	-	-	208
Depreciable Capital Assets and Infrastructure, net	84,099	12,749	11,396	8,483
Land and Nondepreciable Capital Assets	-	-	166	201
<b>Total Noncurrent Assets</b>	<b>84,099</b>	<b>12,749</b>	<b>11,562</b>	<b>8,892</b>
<b>TOTAL ASSETS</b>	<b>100,661</b>	<b>15,098</b>	<b>77,241</b>	<b>16,067</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>2,645</b>	<b>616</b>	<b>32,180</b>	<b>1,135</b>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	2,325	219	28,377	1,268
Due To Other Funds	124	-	-	-
Unearned Revenue	-	-	1,331	-
Compensated Absences Payable	38	-	942	-
Leases Payable	19,403	3,774	-	1,856
Other Current Liabilities	382	-	-	-
<b>Total Current Liabilities</b>	<b>22,272</b>	<b>3,993</b>	<b>30,650</b>	<b>3,124</b>
<b>Noncurrent Liabilities:</b>				
Accrued Compensated Absences	1,307	285	9,429	426
Capital Lease Payable	61,599	-	-	7,742
Notes, Bonds, and COPs Payable	-	-	-	1
Net Pension Liability	17,880	4,599	224,281	8,684
Other Postemployment Benefits	589	156	7,408	293
<b>Total Noncurrent Liabilities</b>	<b>81,375</b>	<b>5,040</b>	<b>241,118</b>	<b>17,146</b>
<b>TOTAL LIABILITIES</b>	<b>103,647</b>	<b>9,033</b>	<b>271,768</b>	<b>20,270</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>5,135</b>	<b>1,487</b>	<b>48,871</b>	<b>2,501</b>
<b>NET POSITION:</b>				
Net investment in Capital Assets:				
Unrestricted	3,097	8,975	11,563	(913)
	(8,573)	(3,781)	(222,781)	(4,656)
<b>TOTAL NET POSITION</b>	<b>\$ (5,476)</b>	<b>\$ 5,194</b>	<b>\$ (211,218)</b>	<b>\$ (5,569)</b>

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 347	\$ 2,390	\$ 13,221	\$ 278	\$ 98,108
1	10	8	4	12	1,365
-	-	-	-	-	81
-	-	-	-	-	884
476	-	-	-	-	1,209
-	-	9	369	-	7,243
477	357	2,407	13,594	290	108,890
-	-	-	-	-	208
85	1,218	40	745	-	118,815
-	-	-	10	-	377
85	1,218	40	755	-	119,400
562	1,575	2,447	14,349	290	228,290
114	3	1,220	12,771	(27)	50,657
15	-	370	3,537	29	36,140
813	-	-	-	-	937
-	-	-	-	7	1,338
-	-	32	284	-	1,296
-	-	-	-	-	25,033
-	-	-	-	-	382
828	-	402	3,821	36	65,126
-	-	501	2,346	74	14,368
-	-	-	-	-	69,341
-	-	-	-	-	1
885	-	9,718	72,424	(423)	338,048
31	-	328	2,340	(15)	11,130
916	-	10,547	77,110	(364)	432,888
1,744	-	10,949	80,931	(328)	498,014
390	-	3,131	15,627	2,270	79,412
85	1,218	40	755	-	24,820
(1,543)	360	(10,453)	(70,193)	(1,679)	(323,299)
\$ (1,458)	\$ 1,578	\$ (10,413)	\$ (69,438)	\$ (1,679)	\$ (298,479)

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>OPERATING REVENUES:</b>				
Sales of Goods and Services	\$ 63,252	\$ 12,255	\$ 345,144	\$ 20
Rental Income	-	-	-	15,630
Other	191	-	(100)	1
<b>TOTAL OPERATING REVENUES</b>	<b>63,443</b>	<b>12,255</b>	<b>345,044</b>	<b>15,651</b>
<b>OPERATING EXPENSES:</b>				
Salaries and Fringe Benefits	4,066	754	142,245	1,502
Operating and Travel	36,352	6,976	128,347	6,773
Cost of Goods Sold	1	-	-	-
Depreciation and Amortization	20,502	4,326	3,632	1,836
Prizes and Awards	-	-	1	1
<b>TOTAL OPERATING EXPENSES</b>	<b>60,921</b>	<b>12,056</b>	<b>274,225</b>	<b>10,112</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,522</b>	<b>199</b>	<b>70,819</b>	<b>5,539</b>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>				
Investment Income (Loss)	-	(45)	(949)	-
Gain/(Loss) on Sale or Impairment of Capital Assets	3,043	(693)	(13)	12
Debt Service	(1,838)	(51)	-	(470)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,205</b>	<b>(789)</b>	<b>(962)</b>	<b>(458)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>3,727</b>	<b>(590)</b>	<b>69,857</b>	<b>5,081</b>
<b>CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:</b>				
Capital Contributions	1,215	-	-	-
Transfers-In	401	944	-	-
Transfers-Out	(493)	(298)	(766)	(2,063)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,123</b>	<b>646</b>	<b>(766)</b>	<b>(2,063)</b>
<b>CHANGE IN NET POSITION</b>	<b>4,850</b>	<b>56</b>	<b>69,091</b>	<b>3,018</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>(10,326)</b>	<b>5,138</b>	<b>(280,309)</b>	<b>(8,587)</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ (5,476)</b>	<b>\$ 5,194</b>	<b>\$ (211,218)</b>	<b>\$ (5,569)</b>



HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ 1,030	\$ 67	\$ 6,435	\$ 48,615	\$ 353	\$ 477,171
-	-	-	-	-	15,630
-	-	1	2	4	99
1,030	67	6,436	48,617	357	492,900
(346)	1	1,146	22,615	(2,113)	169,870
648	33	1,255	3,725	153	184,262
-	-	-	-	-	1
15	377	6	271	-	30,965
-	-	-	1	-	3
317	411	2,407	26,612	(1,960)	385,101
713	(344)	4,029	22,005	2,317	107,799
-	-	(20)	(138)	2	(1,150)
-	-	-	-	-	2,349
(7)	-	-	(6)	-	(2,372)
(7)	-	(20)	(144)	2	(1,173)
706	(344)	4,009	21,861	2,319	106,626
-	-	-	-	-	1,215
-	-	-	-	415	1,760
-	-	(270)	(3,917)	-	(7,807)
-	-	(270)	(3,917)	415	(4,832)
706	(344)	3,739	17,944	2,734	101,794
(2,164)	1,922	(14,152)	(87,382)	(4,413)	(400,273)
\$ (1,458)	\$ 1,578	\$ (10,413)	\$ (69,438)	\$ (1,679)	\$ (298,479)

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from:				
Fees for Service	\$ 3,347	\$ -	\$ 1,246	\$ 38
Receipts for Interfund Services	59,949	12,255	343,830	11
Sales of Products	5	-	-	-
Gifts, Grants, and Contracts	-	-	47	-
Income from Property	-	-	-	15,630
Other Sources	191	-	-	13
Cash Payments to or for:				
Employees	(9,443)	(2,162)	(202,999)	(4,287)
Suppliers	(31,987)	(154)	(73,546)	(5,460)
Payments for Interfund Services	(3,334)	(6,887)	(50,180)	(973)
Other Governments	(1)	-	-	-
Other	(48)	(2)	(6,248)	(3)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>18,679</b>	<b>3,050</b>	<b>12,150</b>	<b>4,969</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers-In	804	944	-	-
Transfers-Out	(493)	(298)	(766)	(2,063)
Receipt of Deposits Held in Custody	1,989	-	-	-
Release of Deposits Held in Custody	(2,306)	-	-	-
NonCapital Debt Proceeds	-	46	-	1
NonCapital Debt Service Payments	-	(46)	-	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(6)</b>	<b>646</b>	<b>(766)</b>	<b>(2,062)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of Capital Assets	(26,614)	25	(2,243)	(169)
Proceeds from Sale of Capital Assets	28,631	-	1,147	52
Capital Debt Service Payments	-	(46)	-	-
Capital Lease Payments	(21,721)	(3,826)	-	(2,572)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(19,704)</b>	<b>(3,847)</b>	<b>(1,096)</b>	<b>(2,689)</b>

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
\$ -	\$ 11	\$ 49	\$ 99	\$ 9	\$ 4,799
326	54	6,393	48,568	341	471,727
1,022	-	-	-	-	1,027
-	-	-	-	-	47
-	-	1	2	11	15,630
-	-	-	-	-	218
(462)	-	(4,423)	(38,933)	(259)	(262,968)
(829)	(25)	(464)	(2,980)	(86)	(115,531)
-	(2)	(769)	(639)	(154)	(62,938)
-	-	-	-	-	(1)
-	-	(1)	(1)	-	(6,303)
57	38	786	6,116	(138)	45,707
-	-	-	-	415	2,163
-	-	(270)	(3,917)	-	(7,807)
-	-	-	-	-	1,989
-	-	-	-	-	(2,306)
-	-	-	-	-	47
-	-	-	-	-	(46)
-	-	(270)	(3,917)	415	(5,960)
(100)	(57)	-	(295)	-	(29,453)
50	50	-	153	-	30,083
(7)	-	-	(6)	-	(59)
-	-	-	-	-	(28,119)
(57)	(7)	-	(148)	-	(27,548)

(Continued)

**STATEMENT OF CASH FLOWS, CONTINUED**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	FINANCIAL INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividends on Investments	-	16	185	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	(61)	(1,134)	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-</b>	<b>(45)</b>	<b>(949)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND POOLED CASH</b>	<b>(1,031)</b>	<b>(196)</b>	<b>9,339</b>	<b>218</b>
<b>CASH AND POOLED CASH , FISCAL YEAR BEGINNING</b>	<b>15,545</b>	<b>2,492</b>	<b>48,644</b>	<b>7,069</b>
<b>CASH AND POOLED CASH, FISCAL YEAR END</b>	<b>\$ 14,514</b>	<b>\$ 2,296</b>	<b>\$ 57,983</b>	<b>\$ 7,287</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 2,522	\$ 199	\$ 70,819	\$ 5,539
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	20,502	4,326	3,632	1,836
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	-	-	12
Compensated Absences Expense	328	82	1,042	59
Interest and Other Expense in Operating Income	525	-	-	117
Net Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	48	-	(194)	29
(Increase) Decrease in Inventories	163	-	-	2
(Increase) Decrease in Other Operating Assets and Deferred Outflows	2	21	1,517	-
(Increase) Decrease in Pension Deferred Outflow	(352)	(47)	(15,519)	(397)
(Increase) Decrease in OPEB Deferred Outflow	5	3	(96)	5
Increase (Decrease) in Accounts Payable	167	(109)	(1,358)	199
Increase (Decrease) in Pension Liability	(930)	(457)	(1,726)	(840)
Increase (Decrease) in OPEB Liability	(125)	(39)	(1,200)	(77)
Increase (Decrease) in Other Operating Liabilities and Deferred Inflows	124	-	(1,735)	-
Increase (Decrease) in Pension Deferred Inflow	(4,359)	(949)	(43,798)	(1,561)
Increase (Decrease) in OPEB Deferred Inflow	59	20	766	46
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 18,679</b>	<b>\$ 3,050</b>	<b>\$ 12,150</b>	<b>\$ 4,969</b>
<b>SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:</b>				
Capital Assets Funded by the Capital Projects Fund	812	-	-	-
Loss on Disposal of Capital and Other Assets	(3,043)	693	13	-
Assumption of Capital Lease Obligation or Mortgage	22,609	-	-	-





## 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, Private Purpose Trust Funds and Custodial 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.
INSTITUTIONS OF HIGHER EDUCATION OTHER POST-EMPLOYMENT BENEFITS TRUST	This fund consists of Colorado State University and University of Colorado. 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 subscription benefits and income replacement benefits for long-term disability. University of Colorado participates in two types of OPEB plans – a single-employer plan administered by the University and a cost-sharing plan administered by PERA.

### PRIVATE-PURPOSE TRUST FUNDS

TREASURER'S	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.
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.
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.

### CUSTODIAL FUNDS

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

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	STATE EMPLOYMENT BENEFIT PLANS	INSTITUTIONS OF HIGHER EDUCATION OTHER POST- EMPLOYMENT BENEFITS TRUST	TOTAL
<b>ASSETS:</b>			
Cash and Pooled Cash	\$ 106,212	\$ 1,162	\$ 107,374
Other Receivables, net	3,681	7,669	11,350
Due From Other Funds	1,618	-	1,618
Prepays, Advances and Deposits	771	228	999
Investments:			
Government Securities	-	6,002	6,002
Corporate Bonds	-	13,135	13,135
Asset Backed Securities	-	374	374
Mortgages	-	6,917	6,917
Mutual Funds	-	99,523	99,523
Other Investments	-	29,613	29,613
<b>TOTAL ASSETS</b>	<b>112,282</b>	<b>164,623</b>	<b>276,905</b>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	21,793	4,189	25,982
Claims and Judgments Payable	21,061	-	21,061
Other Current Liabilities	-	31,282	31,282
Accrued Compensated Absences	215	-	215
<b>TOTAL LIABILITIES</b>	<b>43,069</b>	<b>35,471</b>	<b>78,540</b>
<b>NET POSITION:</b>			
Restricted for:			
OPEB	-	129,152	129,152
Held in Trust for:			
Pension/Benefit Plan Participants	69,213	-	69,213
<b>TOTAL NET POSITION</b>	<b>\$ 69,213</b>	<b>\$ 129,152</b>	<b>\$ 198,365</b>



**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	STATE EMPLOYMENT BENEFIT PLANS	INSTITUTIONS OF HIGHER EDUCATION OTHER POST- EMPLOYMENT BENEFITS TRUST	TOTAL
<b>ADDITIONS:</b>			
Member Contributions	\$ 78,637	\$ 1,950	\$ 80,587
Employer Contributions	407,706	136	407,842
Investment Income/(Loss)	(1,456)	14,258	12,802
Other Additions	5,133	284,639	289,772
Transfers-In	1,247	-	1,247
<b>TOTAL ADDITIONS</b>	<b>491,267</b>	<b>300,983</b>	<b>792,250</b>
<b>DEDUCTIONS:</b>			
Distributions to Participants	-	3,354	3,354
Health Insurance Premiums Paid	278,343	-	278,343
Health Insurance Claims Paid	162,294	-	162,294
Other Benefits Plan Expense	29,990	-	29,990
Administrative Expense	17,929	-	17,929
Other Deductions	382	311,946	312,328
Transfers-Out	89	-	89
<b>TOTAL DEDUCTIONS</b>	<b>489,027</b>	<b>315,300</b>	<b>804,327</b>
<b>CHANGE IN NET POSITION</b>	<b>2,240</b>	<b>(14,317)</b>	<b>(12,077)</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>66,973</b>	<b>84,527</b>	<b>151,500</b>
Accounting Changes (See Note 15B)	-	58,942	58,942
<b>NET POSITION - FISCAL YEAR BEGINNING (RESTATED)</b>	<b>66,973</b>	<b>143,469</b>	<b>210,442</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 69,213</b>	<b>\$ 129,152</b>	<b>\$ 198,365</b>

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTAL
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 226,401	\$ 84,870	\$ 12,056	\$ 323,327
Other Receivables, net	40	26,138	971	27,149
Due From Other Funds	-	15,194	-	15,194
Investments:				
Government Securities	-	-	4,914	4,914
Corporate Bonds	-	-	7,871	7,871
Mortgages	22,983	-	-	22,983
Mutual Funds	-	11,127,906	164	11,128,070
Guaranteed Investment Contracts	-	172,727	-	172,727
Other Investments	-	622	-	622
<b>TOTAL ASSETS</b>	<b>249,424</b>	<b>11,427,457</b>	<b>25,976</b>	<b>11,702,857</b>
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	-	24,859	6,934	31,793
Due To Other Funds	-	7	-	7
Unearned Revenue	-	19,289	4,435	23,724
Other Long-Term Liabilities	-	8,274	-	8,274
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>52,429</b>	<b>11,369</b>	<b>63,798</b>
<b>NET POSITION:</b>				
Held in Trust for:				
Individuals, Organizations, and Other Entities	249,424	11,375,028	14,607	11,639,059
<b>TOTAL NET POSITION</b>	<b>\$ 249,424</b>	<b>\$ 11,375,028</b>	<b>\$ 14,607</b>	<b>\$ 11,639,059</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	OTHER	TOTAL
<b>ADDITIONS:</b>				
Investment Income/(Loss)	\$ (4,757)	\$ 1,882,858	\$ 1,861	\$ 1,879,962
Gifts and Bequests	694	-	-	694
Unclaimed Property Receipts	91,631	1,152,698	10,977	1,255,306
Other Additions	-	1,316	1,455	2,771
<b>TOTAL ADDITIONS</b>	<b>87,568</b>	<b>3,036,872</b>	<b>14,293</b>	<b>3,138,733</b>
<b>DEDUCTIONS:</b>				
Distributions to Participants	42,593	933,664	7,086	983,343
Distributions - Intergovernmental Entities	700	-	-	700
Administrative Expense	-	-	279	279
Other Deductions	-	35,677	4,669	40,346
Transfers-Out	-	-	19	19
<b>TOTAL DEDUCTIONS</b>	<b>43,293</b>	<b>969,341</b>	<b>12,053</b>	<b>1,024,687</b>
<b>CHANGE IN NET POSITION</b>	<b>44,275</b>	<b>2,067,531</b>	<b>2,240</b>	<b>2,114,046</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>	<b>220,227</b>	<b>9,307,716</b>	<b>1,329</b>	<b>9,529,272</b>
Prior Period Adjustments (Note 15A)	-	(15)	-	(15)
Accounting Changes (See Note 15B)	(15,078)	(204)	11,038	(4,244)
<b>NET POSITION - FISCAL YEAR BEGINNING (RESTATED)</b>	<b>205,149</b>	<b>9,307,497</b>	<b>12,367</b>	<b>9,525,013</b>
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 249,424</b>	<b>\$ 11,375,028</b>	<b>\$ 14,607</b>	<b>\$ 11,639,059</b>

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	TAX COLLECTIONS AND DISBURSEMENTS	TREASURY INVESTMENT POOL	OTHER	TOTAL
<b>ASSETS:</b>				
Cash and Pooled Cash	\$ 220,058	\$ 114,451	\$ 170,087	\$ 504,596
Taxes Receivable, net	225,566	-	-	225,566
Other Receivables, net	131	-	1,166	1,297
Due From Other Governments	-	-	67	67
Due From Other Funds	-	6,764	-	6,764
Prepays, Advances and Deposits	-	-	19	19
Other Long-Term Assets	-	-	8,900	8,900
<b>TOTAL ASSETS</b>	<b>445,755</b>	<b>121,215</b>	<b>180,239</b>	<b>747,209</b>
<b>LIABILITIES:</b>				
Tax Refunds Payable	2,132	-	-	2,132
Accounts Payable and Accrued Liabilities	-	-	1,360	1,360
Due To Other Governments	-	-	198	198
Due To Other Funds	120	-	-	120
Unearned Revenue	-	-	226	226
Other Current Liabilities	-	5	205	210
Other Long-Term Liabilities	539	-	-	539
<b>TOTAL LIABILITIES</b>	<b>2,791</b>	<b>5</b>	<b>1,989</b>	<b>4,785</b>
<b>NET POSITION:</b>				
Held in Trust for:				
Individuals, Organizations, and Other Entities	442,964	121,210	178,250	742,424
<b>TOTAL NET POSITION</b>	<b>\$ 442,964</b>	<b>\$ 121,210</b>	<b>\$ 178,250</b>	<b>\$ 742,424</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	TAX COLLECTIONS AND DISBURSEMENTS	TREASURY INVESTMENT POOL	OTHER	TOTAL
<b>ADDITIONS:</b>				
Investment Income/(Loss)	\$ (1,171)	\$ (48,965)	\$ (2,390)	\$ (52,526)
Court Awards and Restitution Receipts	-	-	115,242	115,242
Collections of Sales Tax for Other Governments	2,244,966	162,257	94,148	2,501,371
Other Additions	-	-	92,983	92,983
<b>TOTAL ADDITIONS</b>	<b>2,243,795</b>	<b>113,292</b>	<b>299,983</b>	<b>2,657,070</b>
<b>DEDUCTIONS:</b>				
Distributions to Participants	-	-	-	-
Payments of Sales Tax to Other Governments	2,203,125	169,670	115,543	2,488,338
Administrative Expense	1,335	-	6,171	7,506
Other Deductions	-	-	181,693	181,693
<b>TOTAL DEDUCTIONS</b>	<b>2,204,460</b>	<b>169,670</b>	<b>303,407</b>	<b>2,677,537</b>
<b>CHANGE IN NET POSITION</b>	<b>39,335</b>	<b>(56,378)</b>	<b>(3,424)</b>	<b>(20,467)</b>
<b>NET POSITION - FISCAL YEAR BEGINNING</b>				
Accounting Changes (See Note 15B)	403,629	177,588	181,674	762,891
<b>NET POSITION - FISCAL YEAR ENDING</b>	<b>\$ 442,964</b>	<b>\$ 121,210</b>	<b>\$ 178,250</b>	<b>\$ 742,424</b>



## **COMPONENT UNITS**

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements. Descriptions of each of the component units presented can be found in Note 1.

**COMBINING STATEMENT OF NET POSITION  
OTHER COMPONENT UNITS (NONMAJOR)  
JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	STATEWIDE INTERNET PORTAL AUTHORITY	TOTAL
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Pooled Cash	\$ 1,347	\$ 5,102	\$ 6,449
Restricted Cash and Pooled Cash	1,406	5,000	6,406
Other Receivables, net	3,000	3,784	6,784
Prepays, Advances and Deposits	-	201	201
Other Current Assets	-	3,917	3,917
<b>Total Current Assets</b>	<b>5,753</b>	<b>18,004</b>	<b>23,757</b>
<b>Noncurrent Assets:</b>			
Other Long-Term Assets	219	-	219
Depreciable Capital Assets and Infrastructure, net	151,754	7	151,761
Land and Nondepreciable Capital Assets	20,747	-	20,747
<b>Total Noncurrent Assets</b>	<b>172,720</b>	<b>7</b>	<b>172,727</b>
<b>TOTAL ASSETS</b>	<b>178,473</b>	<b>18,011</b>	<b>196,484</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>	<b>-</b>	<b>341</b>	<b>341</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	179	4,228	4,407
Unearned Revenue	-	4,019	4,019
Other Current Liabilities	6,000	166	6,166
<b>Total Current Liabilities</b>	<b>6,179</b>	<b>8,413</b>	<b>14,592</b>
<b>Noncurrent Liabilities:</b>			
Net Pension Liability	-	458	458
Other Postemployment Benefits	-	58	58
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>516</b>	<b>516</b>
<b>TOTAL LIABILITIES</b>	<b>6,179</b>	<b>8,929</b>	<b>15,108</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>	<b>-</b>	<b>743</b>	<b>743</b>
<b>NET POSITION:</b>			
Net investment in Capital Assets:	172,720	7	172,727
Restricted for:			
Other Purposes	1,707	-	1,707
Unrestricted	(2,133)	8,673	6,540
<b>TOTAL NET POSITION</b>	<b>\$ 172,294</b>	<b>\$ 8,680</b>	<b>\$ 180,974</b>



**COMBINING STATEMENT OF ACTIVITIES  
OTHER COMPONENT UNITS (NONMAJOR)  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)

	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	HLC @ METRO	STATEWIDE INTERNET PORTAL AUTHORITY	TOTAL
EXPENSES	\$ 8,348	\$ -	\$ 40,691	\$ 49,039
PROGRAM REVENUES:				
Charges for Services	8,500	-	42,211	50,711
Capital Grants and Contributions	2,266	-	-	2,266
TOTAL PROGRAM REVENUES:	10,766	-	42,211	52,977
NET (EXPENSE) REVENUE	2,418	-	1,520	3,938
GENERAL REVENUES:				
Unrestricted Investment Earnings (Losses)	10	-	9	19
TOTAL GENERAL REVENUES	10	-	9	19
CHANGE IN NET POSITION	2,428	-	1,529	3,957
NET POSITION - FISCAL YEAR BEGINNING	169,866	(467)	7,151	176,550
Accounting Changes (See Note 15B)	-	467	-	467
NET POSITION - FISCAL YEAR BEGINNING (Restated)	169,866	-	7,151	177,017
NET POSITION - FISCAL YEAR ENDING	\$ 172,294	\$ -	\$ 8,680	\$ 180,974



## **NON-APPROPRIATED BUDGET SCHEDULES**

The schedules on the following pages provide, by department, nonappropriated budget-to-actual activity. The budgets are based on a variety of sources that are not subject to appropriation by the General Assembly that generally include most federal awards, custodial agreements, and Colorado statutes. In Higher Education Institutions informational only appropriations for tuition and certain fees contained in the State's legislative appropriations act are not controlling. Therefore, expenditures may exceed recorded budgets in these appropriations.

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
BUDGET AND ACTUAL - NON-APPROPRIATED GENERAL FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 554,558	
Income Taxes			1,295,737	
Other Taxes			46,288	
Sales and Services			205	
Interest Earnings			6,880	
Other Revenues			3,682	
Transfers-In			49,290	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>1,956,640</b>	
<b>EXPENDITURES AND TRANSFERS-OUT:</b>				
Operating Budgets:				
Departmental:				
Corrections	-	40	40	-
Education	10,000	10,000	10,000	-
Governor	\$ -	\$ 87	87	\$ -
Health Care Policy and Financing	409,630	421,184	420,406	778
Judicial Branch	1,000	1,000	1,000	-
Local Affairs	63,375	63,375	63,339	36
Personnel & Administration	-	1,088	1,088	-
Revenue	278,411	361,243	357,333	3,910
Treasury	897,329	897,329	891,561	5,768
Transfers Not Appropriated by Department	23,989	23,989	23,989	-
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>1,683,734</b>	<b>1,779,335</b>	<b>1,768,843</b>	<b>10,492</b>
<b>TOTAL EXPENDITURES AND TRANSFERS-OUT</b>	<b>\$ 1,683,734</b>	<b>\$ 1,779,335</b>	<b>\$ 1,768,843</b>	<b>\$ 10,492</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT</b>			<b>\$ 187,797</b>	

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - NON-APPROPRIATED CASH FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
<b>REVENUES AND TRANSFERS-IN:</b>				
Sales and Other Excise Taxes			\$ 928,942	
Other Taxes			847,347	
Tuition and Fees			404,826	
Sales and Services			1,967,158	
Interest Earnings			2,011,001	
Other Revenues			6,574,676	
Transfers-In			7,721,135	
<b>TOTAL REVENUES AND TRANSFERS-IN</b>			<b>20,455,085</b>	
<b>EXPENDITURES/EXPENSES AND TRANSFERS-OUT:</b>				
Operating Budgets:				
Departmental:				
Agriculture	\$ 3,576	\$ 4,638	\$ 2,444	\$ 2,194
Corrections	29,783	103,472	93,995	9,477
Education	4,117,162	4,109,562	4,102,993	6,569
Governor	894,614	998,558	333,290	665,268
Health Care Policy and Financing	41,578	45,000	27,346	17,654
Higher Education	1,534,573	1,697,161	1,758,498	(61,337)
Human Services	358,762	229,357	194,970	34,387
Judicial Branch	47,745	166,891	154,556	12,335
Labor and Employment	2,376,400	3,177,939	3,261,142	(83,203)
Law	27,271	27,391	10,273	17,118
Legislative Branch	18,867	18,867	4,618	14,249
Local Affairs	426,590	449,201	263,312	185,889
Military and Veterans Affairs	11,620	11,620	11,038	582
Natural Resources	910,670	974,047	412,060	561,987
Personnel & Administration	607,811	612,123	587,699	24,424
Public Health and Environment	302,832	371,068	113,913	257,155
Public Safety	247,381	261,852	156,014	105,838
Regulatory Agencies	82,298	82,713	62,347	20,366
Revenue	956,753	3,427,920	3,415,841	12,079
State	8,558	8,558	5,146	3,412
Transportation	4,702,240	4,702,515	1,329,980	3,372,535
Treasury	3,078,929	3,468,503	2,764,172	704,331
Budgets/Transfers Not Recorded by Department	7,369	10,553	10,570	(17)
<b>SUB-TOTAL OPERATING BUDGETS</b>	<b>20,793,382</b>	<b>24,959,509</b>	<b>19,076,217</b>	<b>5,883,292</b>
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ -	\$ 2,046	\$ 1,685	\$ 361
Corrections	-	3,068	2,551	517
Education	-	888	793	95
Governor	-	194	-	194
Higher Education	254,713	289,271	145,195	144,076
Human Services	-	22,974	12,636	10,338
Military and Veterans Affairs	-	605	240	365
Natural Resources	(2,232)	4,123	4,150	(27)
Personnel & Administration	-	10,482	5,753	4,729
Public Health and Environment	-	85	-	85
Public Safety	-	221	195	26
<b>SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS</b>	<b>252,481</b>	<b>333,957</b>	<b>173,198</b>	<b>160,759</b>
<b>TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>	<b>\$ 21,045,863</b>	<b>\$ 25,293,466</b>	<b>\$ 19,249,415</b>	<b>\$ 6,044,051</b>
<b>EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT</b>			<b>\$ 1,205,670</b>	

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

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN FUND BALANCES/NET POSITION - BUDGETARY BASIS  
BUDGET AND ACTUAL - NON-APPROPRIATED FEDERALLY FUNDED  
FOR THE YEAR ENDED JUNE 30, 2021**

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			\$ 15,118,784	
TOTAL REVENUES AND TRANSFERS-IN			<u>15,118,784</u>	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	\$ 5,638	\$ 12,455	\$ 7,253	\$ 5,202
Corrections	76,098	73,489	67,584	5,905
Education	732,581	2,521,259	806,079	1,715,180
Governor	7,068,257	7,696,312	4,172,968	3,523,344
Health Care Policy and Financing	304,282	465,308	305,720	159,588
Higher Education	33,978	1,352,805	587,968	764,837
Human Services	329,923	2,504,275	2,090,110	414,165
Judicial Branch	15,400	30,087	17,482	12,605
Labor and Employment	6,289,415	8,723,099	6,685,421	2,037,678
Law	2,370	2,490	2,329	161
Local Affairs	81,957	985,120	525,694	459,426
Military and Veterans Affairs	122,174	46,368	25,470	20,898
Natural Resources	26,592	111,778	53,551	58,227
Personnel & Administration	1,470	2,422	1,415	1,007
Public Health and Environment	307,072	2,079,847	991,348	1,088,499
Public Safety	69,918	1,244,133	715,655	528,478
Regulatory Agencies	1,443	181,480	175,439	6,041
Revenue	1,037	3,220	-	3,220
State	-	20,217	7,231	12,986
Transportation	629,978	1,334,018	569,348	764,670
Treasury	92,071	92,071	92,071	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	<u>16,191,654</u>	<u>29,482,253</u>	<u>17,900,136</u>	<u>11,582,117</u>
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	<u>\$ 16,191,654</u>	<u>\$ 29,482,253</u>	<u>\$ 17,900,136</u>	<u>\$ 11,582,117</u>
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			<u>\$ (2,781,352)</u>	

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







**SCHEDULE OF TABOR REVENUE  
AND COMPUTATIONS**

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**STATE OF COLORADO**  
**OFFICE OF THE STATE CONTROLLER**  
**COMPARISON OF NONEXEMPT TABOR REVENUES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
<b>GENERAL REVENUES</b>				
Individual Income Tax, Net	\$ 8,552,154,048	\$ 8,032,399,506	\$ 519,754,542	6.5%
Sales and Use Tax, Net	3,632,266,905	3,406,516,314	225,750,591	6.6%
Corporate Income Tax, Net	1,117,777,059	670,434,333	447,342,726	66.7%
Insurance Taxes	336,301,330	337,417,807	(1,116,477)	-0.3%
Fiduciary Income Tax, Net	117,201,679	24,275,951	92,925,728	382.8%
Tobacco Products Tax, Net	59,176,733	56,910,411	2,266,322	4.0%
Alcoholic Beverages Tax, Net	53,362,690	50,069,739	3,292,951	6.6%
Interest and Investment Income	46,783,615	29,238,671	17,544,944	60.0%
Court and Other Fines	7,578,922	10,172,014	(2,593,092)	-25.5%
Business Licenses and Permits	3,834,353	7,352,054	(3,517,701)	-47.8%
Miscellaneous Revenue	1,595,493	2,014,974	(419,481)	-20.8%
General Government Service Fees	1,420,418	2,371,028	(950,610)	-40.1%
Gaming and Other Taxes	327,147	348,916	(21,769)	-6.2%
Welfare Service Fees	22,599	19,130	3,469	18.1%
Other Charges For Services	10,384	6,349	4,035	63.6%
<b>TOTAL GENERAL-FUNDED REVENUES</b>	<b>13,929,813,375</b>	<b>12,629,547,197</b>	<b>1,300,266,178</b>	<b>10.3%</b>
<b>PROGRAM REVENUES</b>				
Fuel and Transportation Taxes, Net	595,714,024	626,572,328	(30,858,304)	-4.9%
Motor Vehicle Registrations	273,590,137	274,372,225	(782,088)	-0.3%
Business Licenses and Permits	199,840,438	189,101,472	10,738,966	5.7%
Court and Other Fines	168,529,288	161,582,265	6,947,023	4.3%
Other Charges For Services	162,567,299	165,603,803	(3,036,504)	-1.8%
Miscellaneous Revenue	146,565,097	91,856,173	54,708,924	59.6%
Gaming and Other Taxes	101,142,250	68,201,119	32,941,131	48.3%
General Government Service Fees	101,275,075	69,097,425	32,177,650	46.6%
Health Service Fees	83,596,966	87,432,522	(3,835,556)	-4.4%
Rents and Royalties	67,427,964	60,701,670	6,726,294	11.1%
Insurance Taxes	51,506,197	22,336,255	29,169,942	130.6%
Interest and Investment Income	50,839,615	87,609,855	(36,770,240)	-42.0%
Driver's Licenses	44,191,549	40,293,015	3,898,534	9.7%
Employment Taxes	40,153,832	38,075,619	2,078,213	5.5%
Public Safety Service Fees	34,196,635	20,531,842	13,664,793	66.6%
Nonbusiness Licenses and Permits	33,158,813	30,163,475	2,995,338	9.9%
Sales and Use Tax, Net	30,226,241	37,220,152	(6,993,911)	-18.8%
Certifications and Inspections	24,691,511	24,125,659	565,852	2.3%
Local Governments and Authorities	13,027,169	10,489,500	2,537,669	24.2%
Educational Fees	5,833,650	8,572,913	(2,739,263)	-32.0%
Severance Taxes	4,701,881	116,842,809	(112,140,928)	-96.0%
Higher Education Auxiliary Sales and Services	2,997,390	10,508,869	(7,511,479)	-71.5%
Welfare Service Fees	1,914,821	2,434,777	(519,956)	-21.4%
Sales of Products	1,138,495	2,046,193	(907,698)	-44.4%
Alcoholic Beverages Tax, Net	833,360	830,922	2,438	0.3%
Other Excise Taxes, Net	306,011	374,075	(68,064)	-18.2%
Tobacco Products Tax, Net	210	415	(205)	-49.4%
<b>TOTAL PROGRAM REVENUES</b>	<b>2,239,965,918</b>	<b>2,246,977,347</b>	<b>(7,011,429)</b>	<b>-0.3%</b>
Prior Year Errors		(7,152)	7,152	
Disqualification of Enterprises		(2,762,957)	2,762,957	
<b>TOTAL CASH-FUNDED REVENUE</b>	<b>2,239,965,918</b>	<b>2,244,207,238</b>	<b>(4,241,320)</b>	<b>-0.2%</b>
<b>TOTAL NONEXEMPT REVENUE</b>	<b>\$ 16,169,779,293</b>	<b>\$ 14,873,754,435</b>	<b>\$ 1,296,024,858</b>	<b>8.7%</b>

STATE OF COLORADO  
SCHEDULE OF COMPUTATIONS REQUIRED  
UNDER ARTICLE X, SECTION 20  
AS OF JUNE 30, 2021

	FISCAL YEAR 2020	FISCAL YEAR 2021
<b>COMPUTATION OF NONEXEMPT REVENUES</b>		
Total State Expenditures	\$ 55,162,985,473	\$ 67,186,300,966
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	10,047,487,619	10,829,105,780
Unemployment Compensation Section	4,767,292,851	9,425,795,063
Colorado Healthcare Affordability and Sustainability Enterprise	3,531,659,327	4,235,144,603
CollegeInvest	926,156,300	969,557,285
State Lottery	654,964,236	789,947,824
College Assist	554,338,534	231,396,176
Health Insurance Affordability Enterprise	8,000	227,865,139
Parks and Wildlife	208,898,106	205,850,333
Correctional Industries	56,530,274	48,200,138
State Nursing Homes	46,527,686	47,158,027
Statewide Transportation Enterprise	23,618,477	46,887,142
Petroleum Storage Tank Fund	35,304,621	35,349,070
Statewide Bridge Enterprise	14,731,470	12,523,883
Clean Screen Authority	3,608,601	3,493,861
Brand Board	3,020,702	3,079,539
Electronic Recording Technology Fund	4,349,354	2,618,441
Capitol Parking Authority	1,167,736	1,126,708
Front Range Waste Diversion Enterprise	84,895	940,162
Subtotal Enterprise Expenses	<u>20,879,748,789</u>	<u>27,116,039,174</u>
Total District Expenditures	<u>34,283,236,684</u>	<u>40,070,261,792</u>
Less Exempt District Revenues:		
Federal Funds	7,868,739,443	10,810,509,802
Interfund Transfers	9,290,193,069	10,344,684,227
Amounts Held for Others (Note 11)	-	2,640,927,335
Other Sources and Additions (Note 7)	1,573,852,250	1,909,637,478
Voter Approved Revenue Changes (Note 8)	1,143,007,792	1,682,649,539
Damage Awards	100,284,626	125,329,963
Gifts	77,822,991	106,274,759
Property Sales	185,838,027	101,696,506
Exempt Investment Income	283,817,453	60,934,960
Subtotal Exempt District Revenues	<u>20,523,555,651</u>	<u>27,782,644,569</u>
Nonexempt District Expenditures	13,759,681,033	12,287,617,223
District Reserve/Fund Balance Increase (Decrease)	1,196,691,779	3,356,706,390
Excess TABOR Revenues	<u>(82,618,377)</u>	<u>525,455,680</u>
Total Nonexempt District Revenues	<u>\$ 14,873,754,435</u>	<u>\$ 16,169,779,293</u>
<b>COMPUTATION OF DISTRICT FUND BALANCE CHANGES</b>		
Beginning District Fund Balance	\$ 8,751,906,735	\$ 9,860,230,346
Prior Period District Fund Balance Adjustments (Note 11)	(5,749,791)	78,650,105
(Qualification)/Disqualification of Enterprises (Note 14)	-	2,694,417
District Reserve/Fund Balance Increase (Decrease)	1,196,691,779	3,356,706,390
Retention of Revenues in Excess of the Limit C.R.S. 24-77-103.6(1)(a)	<u>(82,618,377)</u>	<u>525,455,680</u>
Ending District Fund Balance	<u>\$ 9,860,230,346</u>	<u>\$ 13,823,736,938</u>
<b>FISCAL YEAR 2021 COMPUTATION OF SPENDING LIMITATIONS</b>		
	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
<b>FY 2020 Limit</b>	\$ 12,249,003,600	\$ 14,956,372,812
Other Agency Revenues From Disqualified Enterprises (Note 14)	<u>(3,314,564)</u>	<u>(3,314,564)</u>
<b>FY 2020 Adjusted Limit</b>	\$ 12,245,689,036	\$ 14,953,058,248
Allowable TABOR Growth Rate (Note 12)	3.1%	3.1%
<b>FY 2021 Unadjusted Limit</b>	\$ 12,625,305,396	\$ 15,416,603,054
Disqualification of Enterprises (Note 14)	2,762,957	2,762,957
C.R.S. 24-77-103.6(6)(b)(I)(F)	<u>224,957,602</u>	<u>224,957,602</u>
<b>FY 2021 Adjusted Limit</b>	\$ 12,628,068,353	\$ 15,644,323,613
Less Fiscal Year 2020 Nonexempt District Revenues	<u>(16,169,779,293)</u>	<u>(16,169,779,293)</u>
<b>Amount (Over)Under Adjusted Limit FY 2021</b>	\$ (3,541,710,940)	\$ (525,455,680)
<b>Amounts remaining in excess of the limit to be refunded in future years (by fiscal year of excess revenue)</b>		
FY 2015		\$ 282,032
FY 2018		3,146,147
FY 2019		18,988,267
FY 2021		<u>525,455,680</u>
<b>Total amount to be refunded in future years</b>		<u>\$ 547,872,126</u>
<b>FY 2021 retention of revenues in excess of the limit (not refundable) C.R.S. 24-77-103.6(1)(b)</b>		\$ (3,016,255,260)

## **NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS**

### **NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS**

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

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

The limit on revenue retention is based on an allowable growth percentage (see Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2011, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (see Note 9).

### **NOTE 2. BASIS OF ACCOUNTING**

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 of the State Constitution (TABOR). The accounting principles used by the State are more fully described in Note 1 to the Financial Statements.

### **NOTE 3. DEFINITION OF THE DISTRICT**

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

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

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

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

(b) "State" does not include:

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

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

- State Lottery,
- College Assist,
- CollegeInvest,
- Division of Parks and Wildlife,
- State Nursing Homes,
- Division of Correctional Industries,
- Petroleum Storage Tank Fund,
- State Fair Authority,
- Division of Brand Inspection,
- Clean Screen Authority,
- Capitol Parking Authority,
- Statewide Transportation Enterprise,
- Statewide Bridge Enterprise,
- Unemployment Insurance Enterprise,
- Electronic Recording Technology Fund,
- Colorado Healthcare Affordability and Sustainability Enterprise,
- Front Range Waste Diversion Enterprise,
- Health Insurance Affordability Enterprise,

- Clean Motor Vehicle Fleet Enterprise,
- Clean Transit Enterprise,
- Air Pollution Mitigation Enterprise,
- Air Quality Enterprise,
- Community Access Enterprise,
- Natural Disaster Mitigation Enterprise,
- 988 Crisis Hotline Enterprise.

It further established a statutory mechanism that allows the governing boards of institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. Senate Bill 04-189 expanded the authority for each governing board of State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2005, and the remaining boards designated their institutions as enterprises in Fiscal Year 2006. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified as an enterprise for Fiscal Year 2021.

**NOTE 4. DEBT**

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

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

**NOTE 5. EMERGENCY RESERVES**

TABOR requires the reservation, for declared emergencies, of three percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for Fiscal Year 2021 totals \$485.1 million.

At June 30, 2021, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act (HB 20-1360):

- Major Medical Insurance Fund – \$63.0 million.
- Colorado Water Conservation Board Construction Fund – \$33.0 million.
- Controlled Maintenance Trust Fund – \$73.0 million
- Disaster Emergency Fund - \$75.0 million.
- Unclaimed Property Tourism Promotion Trust Fund - \$5.0 million.

The 2020 legislative session Long Appropriations Act also designated up to \$160.0 million of State properties as the remainder of the emergency reserve.

Based on actual fiscal year nonexempt revenues in Fiscal Year 2021, the required reserve was \$485.1 million. Because the actual reserve requirement was more than the amount set in HB 20-1360, the total amount restricted for the reserve was \$76.1 million less than the combined maximums allowable in the designated funds detailed above. 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.

During Fiscal Year 2021, nine executive orders called for a net amount of \$65.9 million to be transferred from the funds constituting the TABOR reserve, to the Disaster Emergency Fund (DEF), in response to the costs of dealing with the COVID-19 pandemic. Another \$9.8 million was transferred to the DEF through six executive orders for the costs of fighting wildfires across the State.

**NOTE 6. STATUS OF REFUNDING**

There are three TABOR refund mechanisms in current state law – the property tax exemption reimbursement, the temporary income tax rate reduction and the six-tiered sales tax refund. A summary of each is noted below:

1. Property tax exemption reimbursement – with the enactment of Senate Bill 17-267, excess revenue is first refunded via reimbursements to local governments equal to the amount of property tax revenue they lose as a result of the property tax exemptions for seniors and disabled veterans. The amount refunded via this mechanism is the lesser of actual reimbursements or the total refund obligation in accordance with Section 39-3-209(2) C.R.S. If the amount of excess revenue is less than the amount required to reimburse local governments for property tax exemptions for seniors and disabled veterans, then only the portion of the reimbursement equal to the refund obligation is accounted as a TABOR refund. This portion is paid from General Fund revenue set aside in the year when the TABOR surplus was collected. This is considered an under-distribution and is carried forward until the reimbursement is paid. The remaining portion of the reimbursement is financed from revenue collected in the fiscal year when the reimbursement is paid.

2. Temporary income tax rate reduction – under Section 39-22-627 C.R.S., the temporary income tax rate reduction refunds revenue via a temporary reduction in the state income tax rate from 4.63 percent to 4.50 percent for individual and corporate income taxpayers. The income tax rate reduction is triggered if and only if the refund obligation exceeds the amount of the property tax reimbursement mechanism by at least the amount of the reduction in revenue expected to result from the reduction in the income tax rate. When triggered, the income tax rate is reduced in the tax year following the fiscal year in which excess revenue is collected. If the refund obligation is less than the reduction in revenue expected to result from the reduction in the income tax rate, then the refund in excess of the property tax reimbursement mechanism is refunded via the third mechanism.
3. Six-tier sales tax refund mechanism – under Section 39-22-2001 through 2003 C.R.S., the six-tier sales tax refund refunds any excess amount outstanding after the payment of refunds via the property tax reimbursement mechanism and, if triggered, the temporary income tax rate reduction. Despite being called a sales tax refund, the refund appears on income tax forms as a means of returning sale tax revenue paid by individuals. The mechanism grants taxpayers a refund according to where their adjusted gross income falls among six adjusted gross income tiers. When the amount to be refunded via this mechanism is large enough to support at least \$15 per taxpayer, the Department of Revenue is required to distribute the amount among the tiers as it was distributed for the sales tax refund in the tax year 1999. If the amount to be refunded is less than \$15 per taxpayer, an equal refund is provided to each taxpayer regardless of income. Because the number of qualifying taxpayers and their adjusted gross incomes are estimates, the use of the second and third refund mechanisms can result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

Regardless of the refund mechanism, Section 24-77-103.8 C.R.S. requires that under-distributions of refunds be carried forward to subsequent years and added to the required refund in a future year when revenue is over the spending limit. Over-distributions of refunds, pursuant to Section 24-77-103.7 C.R.S., are also carried forward to subsequent years and are used to offset any future refund liability. The amount of the over/under carry forward is to be applied in the year following the year in which the refund is required to be made, which results in a two-year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2021, the State had an outstanding TABOR refund liability of \$144.0 million. During the year, \$22.3 thousand was refunded from the Fiscal Year 2015 liability and \$120.7 million from the Fiscal Year 2019 liability (through the property tax reimbursement mechanism). Refund liabilities for Fiscal Years 2018 and 2019 were each decreased by \$0.4 million to adjust for prior-year revenue recording errors. Excess revenue over the ESRC in Fiscal Year 2021 added \$525.5 million to the total liability. At June 30, 2021, the amount of refunds payable is \$547.9 million (See Note 15 for more detail).



## **NOTE 7. OTHER SOURCES AND ADDITIONS**

The \$1,909.6 million reported in this line item primarily comprises: \$485.2 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; \$975.7 million of proceeds from the issuance of certificates of participation; \$247.4 million of revenue to permanent funds and trusts; \$58.0 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; and \$127.1 million of other miscellaneous revenue.

## **NOTE 8. VOTER APPROVED REVENUE CHANGES**

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, Section 25-8-501.1 C.R.S. – Regulation of Commercial Hog Facilities – which instituted a permit fee. The State collected \$56,439 and \$56,881 from this exempt source in Fiscal Year 2021 and Fiscal Year 2020, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded \$2.3 million and \$2.1 million including interest and unrealized gains/losses from this revenue source in Fiscal Year 2021 and Fiscal Year 2020, 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 \$1,037.3 million and \$655.9 million of tax revenues, interest, operating transfers and unrealized gains/losses, as exclusions from fiscal year spending in Fiscal Year 2021 and Fiscal Year 2020, respectively.
- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer’s list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded \$137.9 million and \$137.7 million of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2021 and Fiscal Year 2020, 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 \$19.8 million and \$13.0 million of extended limited gaming revenue in Fiscal Year 2021 and Fiscal Year 2020, respectively.
- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first \$40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

With the enactment of Senate Bill 267 in the 2017 legislative session, the retail marijuana sales tax rate increased from 10 percent to 15 percent and exempted the 2.9 percent sales tax. The State's share of the retail tax increased from 85 percent to 90 percent. These changes took effect on July 1, 2017. The 15 percent excise tax on the wholesale price of retail marijuana still applies.

The State recorded \$120.8 million of state excise tax and \$288.2 million of retail marijuana state sales tax revenues from these exempt sources in Fiscal Year 2021. In the prior fiscal year, the State recorded \$88.5 million and \$245.5 million respectively, from these two sources.

- In the 2019 statewide election, Colorado voters approved Proposition DD – a measure referred to voters by the Legislature in HB 19-1327. The proposition allowed the State to tax the proceeds of sports betting activity and to use the revenue for implementing the State water plan and for other purposes. The State recorded \$8.1 million and \$0.3 million from this revenue source in Fiscal Year 2021 and Fiscal Year 2020, respectively.

- In the 2020 statewide election, voters approved Proposition EE – a measure referred to voters by the Legislature in HB 20-1427. The “yes” vote on the proposition allowed the State to impose a tax on nicotine liquids and other vaping products, and to increase existing cigarette and tobacco taxes. The revenue is to provide funding for schools, housing development and rental assistance, health care programs, tobacco education programs and other state and local general spending. In Fiscal Year 2021, the State recorded \$68.0 million in Proposition EE revenue.

**NOTE 9. REFERENDUM C**

Referendum C was placed on the ballot by the General Assembly and was approved by voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The term “ratchet down” is used to describe the TABOR provision that requires each year’s base for calculating the limit to be the lesser of the prior year’s revenues or the prior year’s limit.)
- In the 2017 legislative session, enactment of Senate Bill 17-267 lowered the ESRC base by \$200 million. This one-time change took effect in Fiscal Year 2018 and permanently modified future year calculations of the amount over or under the ESRC. The revised ESRC in Fiscal Year 2018 set a new base, which will continue to increase (or decrease) in future years by the combined percentage change in population and inflation.
- In the 2021 legislative session, enactment of Senate Bill 21-260 restored the ESRC base that had been lowered three years earlier by Senate Bill 17-267. The increase to the base was \$225.0 million, which includes adjustments for population growth and inflation. The revised base will continue to increase (or decrease) in future years by the combined percentage change in population and inflation.
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.
- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.

- The State Controller’s annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2011. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2006, the State has retained \$27,457.0 million - \$3.6 million during the initial five-year revenue retention period, and an additional \$23,863.4 million due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Year 2011 through Fiscal Year 2021.

#### **NOTE 10. DISTRICT RESERVES**

District reserves are the cumulative fund balances of the State reported in the State’s Annual Comprehensive 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**

In Fiscal Year 2021, the State completed its change in accounting for funds related to fiduciary activities in compliance with GASB Statement No. 84. The GASB standard requires certain funds having a fiduciary purpose, to recognize the receipt of funds held for other entities and parties, as revenue to the State. Before Fiscal Year 2021, these receipts were recorded as liabilities to be settled when the funds were used for their intended purposes. The implementation of GASB 84 was structured this year to create a new classification of exempt revenue called Amounts Held for Others. The implementation in Fiscal Year 2021 had no effect on TABOR, other than to create the new classification.

The University of Colorado – Denver increased the District’s net assets by \$107.4 million, due to a reclass of the Fitzsimons Trust Fund net assets to the General Full Accrual Accounting Group. The trust fund’s net assets were in a deficit position at June 30, 2021. The General Full Accrual Accounting Group is not in the TABOR District.

The Colorado Department of Public Safety decreased the District’s net assets by \$28.7 million for the final reconciliation of Fiscal Year 2020 inventory receipt and disposition of personal protective equipment, related to COVID-19.

## **NOTE 12. SOURCES OF TABOR GROWTH LIMIT**

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in Section C.R.S. 24-77-102(8) C.R.S. as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor index." The Bureau of Labor Statistics' successor index beginning with the Fiscal Year 2018 Schedule of Computations is the index for the Denver-Aurora-Lakewood area.

The 3.1 percent allowable growth rate comprises a 1.2 percent increase for population growth (census date population for 2019 compared to census date population for 2018) and a 1.9 percent increase for inflation.

## **NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS**

With the addition of the excess State revenues cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit. In Fiscal Year 2021 there were no prior year revenue recognition errors that were large enough to impact the prior year base, therefore there were no adjustments to the Fiscal Year 2020 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 2021, a part of the Auraria Higher Education Center's (AHEC) operations disqualified as a TABOR enterprise because it received an appropriation from the State that was more than ten percent of its total revenue. AHEC received \$2.7 million of nonexempt revenue, which increased both the Fiscal Year Spending Limit and the Excess State Revenues Cap by that amount, after application of the 3.1% growth limit. In Fiscal Year 2020, AHEC expended \$3.3 million to other non-TABOR enterprises, which lowered the two bases for the prior year, before application of the 3.1% growth limit.

## **NOTE 15. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND**

Section 24-77-103.5 C.R.S. requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2021, the Water Conservation Board discovered prior year revenue recognition errors affecting TABOR refunds from Fiscal Years 2018 and 2019. The effect of these

errors decreased both the Fiscal Year 2018 and 2019 refunds payable each by \$0.4 million. At June 30, 2021, the amounts remaining in excess of the ESRC for Fiscal Years 2018 and 2019 were \$3.1 million and \$19.0 million respectively.

**NOTE 16. FUTURE REFUNDS**

Since Fiscal Year 2021 nonexempt District revenues were above the Excess State revenues cap by \$525.5 million, this amount is added to the total refund liability making the balance at June 30, 2021 equal to \$547.9 million. The refund liability will be paid in Fiscal Year 2022 and future years.









# Statistical Section

## Annual Comprehensive Financial Report

*For the Fiscal Year Ended June 30, 2021*



**COLORADO**  
Office of the State Controller  
Department of Personnel & Administration



## STATISTICAL SECTION

This section of the State of Colorado's Annual Comprehensive Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

### FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.

### REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.

### DEBT CAPACITY

These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

### DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

### OPERATING INFORMATION

These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 11,224,875	\$ 2,521,649	\$ 3,658,234	\$ 3,107,217	\$ 2,567,219	\$ 2,703,416	\$ 2,696,950	\$ 2,302,356	\$ 2,549,620	\$ 1,969,331
Restricted Cash and Pooled Cash	122,403	611,626	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	8,460	3,497	1,726
Taxes Receivable, net	1,739,314	2,746,658	1,722,496	1,476,297	1,325,689	1,251,185	1,252,907	1,224,629	1,118,329	1,012,147
Other Receivables, net	663,412	609,665	708,209	654,761	717,660	572,655	450,805	210,062	189,937	156,126
Due From Other Governments	1,638,331	803,219	468,940	754,910	524,240	440,053	787,269	570,721	369,249	318,460
Internal Balances	48,657	179,643	43,557	38,459	26,262	28,967	28,022	19,336	23,801	15,964
Due From Component Units	-	-	19	18	154	347	135	54	119	137
Inventories	269,427	142,367	101,161	52,102	54,152	53,261	54,194	53,125	55,319	17,057
Prepaids, Advances and Deposits	122,230	544,537	90,371	84,277	72,047	67,468	67,917	73,025	57,465	53,961
<b>Total Current Assets</b>	<b>15,828,649</b>	<b>8,159,364</b>	<b>6,792,987</b>	<b>6,168,041</b>	<b>5,287,423</b>	<b>5,117,352</b>	<b>5,338,199</b>	<b>4,461,768</b>	<b>4,367,336</b>	<b>3,544,909</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	2,971,240	1,810,813	1,742,791	1,589,926	1,493,996	1,923,920	2,140,729	2,554,938	1,798,432	1,779,413
Restricted Investments	1,324,475	1,212,311	1,098,543	847,587	867,572	732,662	761,140	657,772	598,209	591,083
Restricted Receivables	323,485	453,551	445,384	633,173	587,580	510,028	363,300	258,107	176,055	181,932
Investments	158,487	1,564,800	1,177,035	449,308	255,069	219,369	280,100	428,321	464,535	416,674
Other Long-Term Assets	763,849	771,885	758,544	613,249	614,932	675,809	636,260	686,349	740,735	712,736
Depreciable Capital Assets and Infrastructure	10,063,683	9,856,574	10,101,317	10,242,384	9,994,890	9,976,023	9,772,651	9,600,423	9,312,959	9,602,516
Land and Nondepreciable Capital Assets	3,005,913	2,739,690	2,121,606	1,914,285	2,041,812	1,851,910	1,968,227	1,931,832	2,170,769	1,903,604
Capital Assets Held as Investments	-	-	-	42,896	42,899	33,055	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>18,611,132</b>	<b>18,409,624</b>	<b>17,445,220</b>	<b>16,332,808</b>	<b>15,898,750</b>	<b>15,922,776</b>	<b>15,922,407</b>	<b>16,117,742</b>	<b>15,261,694</b>	<b>15,187,958</b>
<b>TOTAL ASSETS</b>	<b>34,439,781</b>	<b>26,568,988</b>	<b>24,238,207</b>	<b>22,500,849</b>	<b>21,186,173</b>	<b>21,040,128</b>	<b>21,260,606</b>	<b>20,579,510</b>	<b>19,629,030</b>	<b>18,732,867</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	1,654,895	2,348,666	4,421,051	2,563,034	3,503,643	818,761	350,796	18,289	-	-
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Tax Refunds Payable	1,154,442	951,302	927,857	918,688	886,992	856,076	669,992	718,211	718,077	661,829
Accounts Payable and Accrued Liabilities	1,756,431	1,428,804	1,318,548	1,369,262	1,165,137	1,166,681	1,367,263	1,043,961	742,225	677,471
TABOR Refund Liability (Note 2B)	547,872	143,993	431,685	39,837	21,807	31,358	173,346	706	706	706
Due To Other Governments	379,075	375,757	283,432	306,883	395,627	232,724	233,087	245,300	198,953	228,229
Due To Component Units	-	-	-	-	-	-	-	15	81	-
Unearned Revenue	4,513,916	1,291,503	150,512	185,677	126,307	123,769	100,467	92,674	95,026	125,174
Accrued Compensated Absences	15,331	15,719	14,097	12,758	11,865	11,522	12,185	10,470	10,955	9,859
Claims and Judgments Payable	45,135	46,660	42,298	42,812	46,369	46,343	47,682	61,623	46,873	44,858
Leases Payable	30,538	27,212	26,162	25,789	28,254	28,261	27,760	26,941	20,004	14,387
Notes, Bonds, and COPs Payable	110,285	70,565	50,865	55,515	46,990	171,835	200,975	187,910	174,340	162,670
Other Postemployment Benefits	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	24,245	23,647	31,020	22,837	27,678	29,525	19,052	19,979	14,834	16,531
<b>Total Current Liabilities</b>	<b>8,577,270</b>	<b>4,375,162</b>	<b>3,276,476</b>	<b>2,980,058</b>	<b>2,757,026</b>	<b>2,698,094</b>	<b>2,851,809</b>	<b>2,407,790</b>	<b>2,022,074</b>	<b>1,941,714</b>
<b>Noncurrent Liabilities:</b>										
Deposits Held In Custody For Others	1,779	598	584	136	116	90	139	139	17	16
Accrued Compensated Absences	214,870	197,457	166,680	162,645	158,435	154,510	149,817	145,992	138,413	132,394
Claims and Judgments Payable	141,339	151,757	168,190	180,865	260,535	276,010	299,785	301,591	323,451	330,516
Capital Lease Payable	87,460	92,610	97,438	106,084	113,899	122,404	144,569	148,055	131,006	107,042
Notes, Bonds, and COPs Payable	3,881,964	2,837,608	2,108,495	1,379,778	1,266,507	1,174,467	1,331,892	1,541,225	1,611,220	1,614,293
Net Pension Liability	5,874,655	7,804,791	9,377,357	11,933,852	10,919,603	6,295,004	5,565,526	-	-	-
Other Postemployment Benefits	203,724	233,180	284,264	272,038	-	-	-	-	-	-
Other Long-Term Liabilities	228,926	229,134	267,983	457,567	407,912	415,669	423,809	402,954	444,118	427,828
<b>Total Noncurrent Liabilities</b>	<b>10,634,717</b>	<b>11,547,135</b>	<b>12,470,991</b>	<b>14,492,965</b>	<b>13,127,007</b>	<b>8,438,154</b>	<b>7,915,537</b>	<b>2,539,956</b>	<b>2,648,225</b>	<b>2,612,089</b>
<b>TOTAL LIABILITIES</b>	<b>19,211,987</b>	<b>15,922,297</b>	<b>15,747,467</b>	<b>17,473,023</b>	<b>15,884,033</b>	<b>11,136,248</b>	<b>10,767,346</b>	<b>4,947,746</b>	<b>4,670,299</b>	<b>4,553,803</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	3,531,733	3,704,384	4,997,905	560,903	98,746	133,375	47,262	338	-	-
<b>Net investment in Capital Assets:</b>										
<b>Restricted for:</b>										
Construction and Highway Maintenance	671,488	874,840	954,461	885,775	915,033	966,743	936,535	1,080,201	1,145,997	1,176,269
Education	724,957	194,060	203,648	295,468	107,012	309,957	766,688	1,110,180	1,265,476	280,269
Debt Service	148,326	115,664	104,011	91,950	79,966	68,105	56,534	44,752	33,113	21,453
Emergencies	244,000	208,095	191,245	201,166	194,369	217,328	217,328	153,150	161,350	72,850
<b>Permanent Funds and Endowments:</b>										
Expendable	8,886	8,936	10,651	8,267	7,643	5,801	7,301	7,271	6,328	6,024
Nonexpendable	1,457,856	1,419,630	1,291,071	1,087,000	1,020,225	950,976	896,872	800,132	694,564	684,953
Other Purposes	839,781	1,079,316	1,042,422	831,995	671,306	717,185	626,649	358,694	349,811	340,818
Unrestricted	83,264	(4,257,574)	(6,211,579)	(7,251,155)	(8,359,538)	(3,977,303)	(3,365,803)	1,969,691	1,195,010	1,488,996
<b>TOTAL NET POSITION</b>	<b>\$ 13,350,956</b>	<b>\$ 9,290,973</b>	<b>\$ 7,913,886</b>	<b>\$ 7,029,957</b>	<b>\$ 8,707,037</b>	<b>\$ 10,589,266</b>	<b>\$ 10,796,794</b>	<b>\$ 15,649,715</b>	<b>\$ 14,958,731</b>	<b>\$ 14,179,064</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
BUSINESS-TYPE ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 2,662,612	\$ 2,023,015	\$ 1,841,335	\$ 3,093,539	\$ 2,846,015	\$ 2,525,453	\$ 2,454,684	\$ 2,246,115	\$ 2,169,314	\$ 2,011,437
Restricted Cash and Pooled Cash	-	391,766	-	-	-	-	-	-	-	-
Investments	2,261,237	1,926,752	344,755	1,827,559	549,079	392,188	378,115	254,744	281,822	160,099
Restricted Investments	-	123,303	-	-	-	-	-	-	-	-
Taxes Receivable, net	125,713	87,301	115,535	111,099	125,258	123,638	142,241	135,207	137,970	159,303
Other Receivables, net	827,965	783,784	770,415	601,666	490,427	640,664	430,306	408,364	381,351	330,216
Due From Other Governments	2,550,350	970,990	172,251	145,051	136,231	94,860	134,455	150,697	155,190	218,667
Internal Balances	(48,657)	(179,643)	(43,557)	(38,459)	(26,262)	(28,967)	(28,022)	(19,336)	(23,801)	(15,964)
Due From Component Units	24,857	26,385	28,175	16,174	23,041	18,188	11,370	23,716	18,969	18,715
Inventories	50,406	57,124	58,481	54,944	59,196	54,748	57,950	54,015	52,826	53,318
Prepays, Advances and Deposits	37,461	37,686	41,567	29,020	31,679	28,756	28,186	37,433	24,806	24,160
<b>Total Current Assets</b>	<b>8,491,944</b>	<b>6,248,463</b>	<b>3,328,957</b>	<b>5,840,593</b>	<b>4,234,664</b>	<b>3,849,528</b>	<b>3,609,285</b>	<b>3,290,955</b>	<b>3,198,447</b>	<b>2,959,951</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	353,797	511,559	1,562,065	284,025	241,268	457,926	499,742	429,965	352,234	372,457
Restricted Investments	131,547	172,683	72,895	106,798	95,280	167,540	246,783	303,678	292,283	293,711
Restricted Receivables	20,808	22,651	39,570	35,362	38,605	40,009	31,609	45,477	45,264	80,975
Investments	2,109,357	1,441,901	2,900,742	995,987	2,097,484	1,941,040	1,969,155	1,896,811	1,746,078	1,769,909
Other Long-Term Assets	114,217	123,685	109,831	130,529	129,350	129,425	129,850	99,380	128,105	114,118
Depreciable Capital Assets and Infrastructure	9,042,147	8,471,869	8,341,557	8,028,339	7,502,858	7,050,226	6,190,355	5,876,698	5,463,065	5,250,256
Land and Nondepreciable Capital Assets	2,195,349	2,349,747	1,952,976	1,843,135	1,921,788	1,652,441	1,788,595	1,370,142	1,229,761	1,019,556
<b>Total Noncurrent Assets</b>	<b>13,967,222</b>	<b>13,094,095</b>	<b>14,979,636</b>	<b>11,424,175</b>	<b>12,026,633</b>	<b>11,438,607</b>	<b>10,856,089</b>	<b>10,022,151</b>	<b>9,256,790</b>	<b>8,900,982</b>
<b>TOTAL ASSETS</b>	<b>22,459,166</b>	<b>19,342,558</b>	<b>18,308,593</b>	<b>17,264,768</b>	<b>16,261,297</b>	<b>15,288,135</b>	<b>14,465,374</b>	<b>13,313,106</b>	<b>12,455,237</b>	<b>11,860,933</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	909,377	534,121	931,725	1,750,279	2,332,443	649,853	348,635	118,103	551	5,005
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Accounts Payable and Accrued Liabilities	955,419	705,641	697,916	592,545	786,944	771,248	751,169	659,085	602,571	623,458
Due To Other Governments	1,693,848	375,140	73,297	64,474	46,765	38,615	22,048	30,805	34,169	53,622
Due To Component Units	240	151	206	44	1,249	645	623	528	343	123
Unearned Revenue	421,714	770,398	351,010	345,734	328,261	306,222	407,108	346,264	305,108	237,530
Accrued Compensated Absences	31,583	28,747	27,340	26,203	25,381	22,761	20,960	18,117	16,609	14,942
Claims and Judgments Payable	819	1,273	1,581	-	-	-	-	-	-	-
Leases Payable	5,984	5,832	5,474	6,529	7,292	9,132	8,618	6,610	6,575	5,853
Notes, Bonds, and COPs Payable	104,291	179,765	196,235	154,053	146,604	267,134	251,947	244,366	233,811	243,601
Other Postemployment Benefits	14,753	16,448	-	-	-	-	-	14,076	17,052	15,721
Other Current Liabilities	2,813,580	813,537	323,850	191,660	134,584	139,765	125,054	127,033	142,868	110,667
<b>Total Current Liabilities</b>	<b>6,042,231</b>	<b>2,896,932</b>	<b>1,676,909</b>	<b>1,381,242</b>	<b>1,477,080</b>	<b>1,555,522</b>	<b>1,587,527</b>	<b>1,446,884</b>	<b>1,359,106</b>	<b>1,305,517</b>
<b>Noncurrent Liabilities:</b>										
Deposits Held In Custody For Others	25	25	25	20	20	20	-	-	-	-
Accrued Compensated Absences	433,340	397,622	350,352	339,007	317,070	293,365	268,600	250,148	236,329	219,026
Claims and Judgments Payable	52,714	45,168	42,390	35,505	37,361	39,657	41,460	40,982	38,993	36,472
Capital Lease Payable	68,240	29,813	31,928	41,623	42,599	47,994	45,663	35,582	35,153	33,185
Derivative Instrument Liability	25,602	46,864	14,193	6,837	9,251	13,222	9,515	8,566	8,333	12,994
Notes, Bonds, and COPs Payable	5,082,716	4,917,042	4,757,334	4,970,288	4,638,363	4,480,091	4,418,327	4,131,227	3,898,265	3,938,320
Due to Component Units	1,458	1,704	1,798	1,692	1,678	1,631	1,661	1,743	1,755	1,758
Net Pension Liability	3,370,077	3,570,647	4,237,019	7,448,575	6,934,505	3,957,073	3,579,748	-	-	-
Other Postemployment Benefits	1,041,543	835,859	1,015,792	938,450	343,570	289,133	241,779	181,511	177,176	139,653
Other Long-Term Liabilities	138,497	102,896	110,482	59,956	15,863	28,569	83,521	44,768	11,972	39,015
<b>Total Noncurrent Liabilities</b>	<b>10,214,212</b>	<b>9,947,640</b>	<b>10,561,313</b>	<b>13,841,953</b>	<b>12,340,280</b>	<b>9,150,755</b>	<b>8,690,274</b>	<b>4,694,527</b>	<b>4,407,976</b>	<b>4,420,423</b>
<b>TOTAL LIABILITIES</b>	<b>16,256,443</b>	<b>12,844,572</b>	<b>12,238,222</b>	<b>15,223,195</b>	<b>13,817,360</b>	<b>10,706,277</b>	<b>10,277,801</b>	<b>6,141,411</b>	<b>5,767,082</b>	<b>5,725,940</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	1,260,085	1,918,407	2,482,076	620,945	206,047	250,058	38,380	-	-	-
<b>Net investment in Capital Assets:</b>	<b>5,973,861</b>	<b>5,923,907</b>	<b>5,618,074</b>	<b>5,108,898</b>	<b>6,982,288</b>	<b>5,051,345</b>	<b>4,417,947</b>	<b>3,653,265</b>	<b>3,571,408</b>	<b>3,386,411</b>
<b>Restricted for:</b>										
Education	632,230	978,486	870,941	470,363	504,096	462,636	439,535	642,611	-	-
Unemployment Insurance	-	(18,877)	1,258,552	1,070,082	911,183	740,049	620,575	402,770	218,076	64,433
Debt Service	36,346	16,081	80,693	219,248	28,429	85,617	75,666	39,862	8,439	7,464
Emergencies	-	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	10,005
<b>Permanent Funds and Endowments:</b>										
Expendable	232,960	173,493	173,553	173,406	165,637	157,611	150,270	7,901	11,716	6,975
Nonexpendable	89,102	83,909	83,198	84,480	91,878	83,274	87,679	64,712	61,159	38,798
Other Purposes	34,494	34,528	118,895	65,961	65,961	101,209	88,686	56,296	631,921	629,655
<b>Unrestricted</b>	<b>(1,146,978)</b>	<b>(2,111,827)</b>	<b>(3,717,886)</b>	<b>(4,055,531)</b>	<b>(4,213,139)</b>	<b>(1,734,088)</b>	<b>(1,416,530)</b>	<b>2,388,381</b>	<b>2,151,987</b>	<b>1,996,257</b>
<b>TOTAL NET POSITION</b>	<b>\$ 5,852,015</b>	<b>\$ 5,113,700</b>	<b>\$ 4,520,020</b>	<b>\$ 3,170,907</b>	<b>\$ 4,570,333</b>	<b>\$ 4,981,653</b>	<b>\$ 4,497,828</b>	<b>\$ 7,289,798</b>	<b>\$ 6,688,706</b>	<b>\$ 6,139,998</b>

**GOVERNMENT-WIDE  
SCHEDULE OF NET POSITION  
TOTAL PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>ASSETS:</b>										
<b>Current Assets:</b>										
Cash and Pooled Cash	\$ 13,887,487	\$ 4,544,664	\$ 5,499,569	\$ 6,200,756	\$ 5,413,234	\$ 5,228,869	\$ 5,151,634	\$ 4,548,471	\$ 4,718,934	\$ 3,980,768
Restricted Cash and Pooled Cash	122,403	1,003,392	-	-	-	-	-	-	-	-
Investments	2,261,237	1,926,752	344,755	1,827,559	549,079	392,188	378,115	263,204	285,319	161,825
Restricted Investments	-	123,303	-	-	-	-	-	-	-	-
Taxes Receivable, net	1,865,027	2,833,959	1,838,031	1,587,396	1,450,947	1,374,823	1,395,148	1,359,836	1,256,299	1,171,450
Other Receivables, net	1,491,377	1,393,449	1,478,624	1,256,427	1,208,087	1,213,319	881,111	618,426	571,288	486,342
Due From Other Governments	4,188,681	1,774,209	641,191	899,961	660,471	534,913	921,724	721,418	524,439	537,127
Due From Component Units	24,857	26,385	28,194	16,192	23,195	18,535	11,505	23,770	19,088	18,852
Inventories	319,833	199,491	159,642	107,046	113,348	108,009	112,144	107,140	108,145	70,375
Prepays, Advances and Deposits	159,691	582,223	131,938	113,297	103,726	96,224	96,103	110,458	82,271	78,121
<b>Total Current Assets</b>	<b>24,320,593</b>	<b>14,407,827</b>	<b>10,121,944</b>	<b>12,008,634</b>	<b>9,522,087</b>	<b>8,966,880</b>	<b>8,947,484</b>	<b>7,752,723</b>	<b>7,565,783</b>	<b>6,504,860</b>
<b>Noncurrent Assets:</b>										
<b>Restricted Assets:</b>										
Restricted Cash and Pooled Cash	3,325,037	2,322,372	3,304,856	1,873,951	1,735,264	2,381,846	2,640,471	2,984,903	2,150,666	2,151,870
Restricted Investments	1,456,022	1,384,994	1,171,438	954,385	962,852	900,202	1,007,923	961,450	890,492	884,794
Restricted Receivables	344,293	476,202	484,954	668,535	626,185	550,037	394,909	303,584	221,319	262,907
Investments	2,267,844	3,006,701	4,077,777	1,445,295	2,352,553	2,160,409	2,249,255	2,325,132	2,210,613	2,186,583
Other Long-Term Assets	878,066	895,570	868,375	743,778	744,282	805,234	766,110	785,729	868,840	826,854
Depreciable Capital Assets and Infrastructure	19,105,830	18,328,443	18,444,874	18,270,723	17,497,748	17,026,249	15,963,006	15,477,121	14,776,024	14,852,772
Land and Nondepreciable Capital Assets	5,201,262	5,089,437	4,074,582	3,757,420	3,963,600	3,504,351	3,756,822	3,301,974	3,400,530	2,923,160
Capital Assets Held as Investments	-	-	-	42,896	42,899	33,055	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>32,578,354</b>	<b>31,503,719</b>	<b>32,424,856</b>	<b>27,756,983</b>	<b>27,925,383</b>	<b>27,361,383</b>	<b>26,778,496</b>	<b>26,139,893</b>	<b>24,518,484</b>	<b>24,088,940</b>
<b>TOTAL ASSETS</b>	<b>56,898,947</b>	<b>45,911,546</b>	<b>42,546,800</b>	<b>39,765,617</b>	<b>37,447,470</b>	<b>36,328,263</b>	<b>35,725,980</b>	<b>33,892,616</b>	<b>32,084,267</b>	<b>30,593,800</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>										
	2,564,272	2,882,787	5,352,776	4,313,313	5,836,086	1,468,614	699,431	136,392	551	5,005
<b>LIABILITIES:</b>										
<b>Current Liabilities:</b>										
Tax Refunds Payable	1,154,442	951,302	927,857	918,688	886,992	856,076	669,992	718,211	718,077	661,829
Accounts Payable and Accrued Liabilities	2,711,850	2,134,445	2,016,464	1,961,807	1,952,081	1,937,929	2,118,432	1,703,046	1,344,796	1,300,929
TABOR Refund Liability (Note 2B)	547,872	143,993	431,685	39,837	21,807	31,358	173,346	706	706	706
Due To Other Governments	2,072,923	750,897	356,729	371,357	442,392	271,339	255,135	276,105	233,122	281,851
Due To Component Units	240	151	206	44	1,249	645	623	543	424	123
Unearned Revenue	4,935,630	2,061,901	501,522	531,411	454,568	429,991	507,575	438,938	400,134	362,704
Accrued Compensated Absences	46,914	44,466	41,437	38,961	37,246	34,283	33,145	28,587	27,564	24,801
Claims and Judgments Payable	45,954	47,933	43,879	42,812	46,369	46,343	47,682	61,623	46,873	44,858
Leases Payable	36,522	33,044	31,636	32,318	35,546	37,393	36,378	33,551	26,579	20,240
Notes, Bonds, and COPs Payable	214,576	250,330	247,100	209,568	193,594	438,969	452,922	432,276	408,151	406,271
Other Postemployment Benefits	14,753	16,448	-	-	-	-	-	14,076	17,052	15,721
Other Current Liabilities	2,837,825	837,184	354,870	214,497	162,262	169,290	144,106	147,012	157,702	127,198
<b>Total Current Liabilities</b>	<b>14,619,501</b>	<b>7,272,094</b>	<b>4,953,385</b>	<b>4,361,300</b>	<b>4,234,106</b>	<b>4,253,616</b>	<b>4,439,336</b>	<b>3,854,674</b>	<b>3,381,180</b>	<b>3,247,231</b>
<b>Noncurrent Liabilities:</b>										
Deposits Held In Custody For Others	1,804	623	609	156	136	110	139	139	17	16
Accrued Compensated Absences	648,210	595,079	517,032	501,652	475,505	447,875	418,417	396,140	374,742	351,420
Claims and Judgments Payable	194,053	196,925	210,580	216,370	297,896	315,667	341,245	342,573	362,444	366,988
Capital Lease Payable	155,700	122,423	129,366	147,707	156,498	170,398	190,232	183,637	166,159	140,227
Derivative Instrument Liability	25,602	46,864	14,193	6,837	9,251	13,222	9,515	8,566	8,333	12,994
Notes, Bonds, and COPs Payable	8,964,680	7,754,650	6,865,829	6,350,066	5,904,870	5,654,558	5,750,219	5,672,452	5,509,485	5,552,613
Due to Component Units	1,458	1,704	1,798	1,692	1,678	1,631	1,661	1,743	1,755	1,758
Net Pension Liability	9,244,732	11,375,438	13,614,376	19,382,427	17,854,108	10,252,077	9,145,274	-	-	-
Other Postemployment Benefits	1,245,267	1,069,039	1,300,056	1,210,488	343,570	289,133	241,779	181,511	177,176	139,653
Other Long-Term Liabilities	367,423	332,030	378,465	517,523	423,775	444,238	507,330	447,722	456,090	466,843
<b>Total Noncurrent Liabilities</b>	<b>20,848,929</b>	<b>21,494,775</b>	<b>23,032,304</b>	<b>28,334,918</b>	<b>25,467,287</b>	<b>17,588,909</b>	<b>16,605,811</b>	<b>7,234,483</b>	<b>7,056,201</b>	<b>7,032,512</b>
<b>TOTAL LIABILITIES</b>	<b>35,468,430</b>	<b>28,766,869</b>	<b>27,985,689</b>	<b>32,696,218</b>	<b>29,701,393</b>	<b>21,842,525</b>	<b>21,045,147</b>	<b>11,089,157</b>	<b>10,437,381</b>	<b>10,279,743</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>										
	4,791,818	5,622,791	7,479,981	1,181,848	304,793	383,433	85,642	338	-	-
<b>Net investment in Capital Assets:</b>	<b>15,146,259</b>	<b>15,571,913</b>	<b>15,946,030</b>	<b>15,988,389</b>	<b>21,053,309</b>	<b>16,381,819</b>	<b>15,072,637</b>	<b>13,778,909</b>	<b>13,678,490</b>	<b>13,493,843</b>
<b>Restricted for:</b>										
Construction and Highway Maintenance	671,488	874,840	954,461	885,775	915,033	966,743	936,535	1,080,201	1,145,997	1,176,269
Education	1,357,187	1,172,546	1,074,589	765,831	611,108	772,593	1,206,223	1,752,791	1,265,476	280,269
Unemployment Insurance	-	(18,877)	1,258,552	1,070,082	911,183	740,049	620,575	402,770	218,076	64,433
Debt Service	184,672	131,745	184,704	311,198	108,395	153,722	132,200	84,614	41,552	28,917
Emergencies	244,000	242,095	225,245	235,166	228,369	251,328	251,328	187,150	195,350	82,855
<b>Permanent Funds and Endowments:</b>										
Expendable	241,846	182,429	184,204	181,673	173,280	163,412	157,571	15,172	18,044	12,999
Nonexpendable	1,546,958	1,503,539	1,374,269	1,171,480	1,112,103	1,034,250	984,551	864,844	755,723	723,751
Other Purposes	874,275	1,113,844	1,161,317	897,956	737,267	818,394	715,335	414,990	981,732	970,473
Unrestricted	(1,063,714)	(6,369,401)	(9,929,465)	(11,306,686)	(12,572,677)	(5,711,391)	(4,782,333)	4,358,072	3,346,997	3,485,253
<b>TOTAL NET POSITION</b>	<b>\$ 19,202,971</b>	<b>\$ 14,404,673</b>	<b>\$ 12,433,906</b>	<b>\$ 10,200,864</b>	<b>\$ 13,277,370</b>	<b>\$ 15,570,919</b>	<b>\$ 15,294,622</b>	<b>\$ 22,939,513</b>	<b>\$ 21,647,437</b>	<b>\$ 20,319,062</b>

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
GOVERNMENTAL ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>PROGRAM REVENUES:</b>										
Charges for Services:										
Licenses and Permits	\$ 598,900	\$ 559,579	\$ 559,093	\$ 564,076	\$ 541,936	\$ 518,820	\$ 501,319	\$ 472,215	\$ 447,232	\$ 442,793
Service Fees	379,086	406,363	390,589	358,109	1,006,976	1,139,226	879,139	901,839	965,614	901,950
Fines and Forfeits	210,963	190,399	225,878	190,733	206,662	195,256	201,021	181,098	248,520	187,344
Rents and Royalties	131,454	156,296	175,085	147,310	132,310	142,752	199,067	182,893	133,901	147,946
Sales of Products	4,964	16,763	10,042	3,218	3,205	3,303	3,390	2,141	2,851	1,626
Unemployment Surcharge	40,154	38,076	34,091	34,245	32,507	30,768	29,381	28,635	25,724	19,307
Other	369,431	187,856	211,706	152,285	138,928	143,251	131,151	144,949	127,083	84,828
Operating Grants and Contributions	10,495,268	7,788,096	6,822,479	6,627,757	8,149,334	8,578,146	7,726,668	6,782,914	5,860,052	5,884,031
Capital Grants and Contributions	544,553	617,224	428,332	745,497	814,739	819,321	817,469	728,544	700,548	600,300
<b>TOTAL PROGRAM REVENUES</b>	<b>12,774,773</b>	<b>9,960,652</b>	<b>8,857,295</b>	<b>8,823,230</b>	<b>11,026,597</b>	<b>11,570,843</b>	<b>10,488,605</b>	<b>9,425,228</b>	<b>8,511,525</b>	<b>8,270,125</b>
<b>EXPENSES:</b>										
General Government	822,391	1,214,677	1,493,871	739,872	653,247	485,611	449,261	447,359	555,507	224,382
Business, Community, and Consumer Affairs	1,368,553	713,827	734,786	912,495	919,676	777,458	711,558	641,182	584,300	600,068
Education	6,656,947	6,875,955	6,469,072	6,086,573	6,045,204	5,859,964	5,687,573	5,472,563	5,187,481	5,205,123
Health and Rehabilitation	1,660,656	836,872	935,044	1,258,445	1,170,889	2,898,841	822,556	720,997	697,975	703,684
Justice	1,691,958	1,734,902	1,970,515	3,254,155	2,974,666	2,209,158	2,075,534	1,840,989	1,655,057	1,555,294
Natural Resources	99,053	90,248	123,036	219,659	169,528	135,491	120,374	92,383	77,934	93,900
Social Assistance	10,157,280	9,430,179	8,589,168	8,810,715	10,489,419	8,825,599	9,627,104	8,089,560	7,174,711	6,746,574
Transportation	1,632,855	1,884,872	1,875,438	2,179,299	2,105,462	1,830,368	1,896,904	1,872,441	1,769,013	1,777,488
Total Governmental Activities										
Interest on Debt	135,332	103,339	109,075	60,778	58,764	62,021	59,078	53,094	16,284	40,935
<b>TOTAL EXPENSES</b>	<b>24,225,025</b>	<b>22,884,871</b>	<b>22,300,005</b>	<b>23,521,991</b>	<b>24,586,855</b>	<b>23,084,511</b>	<b>21,449,942</b>	<b>19,230,568</b>	<b>17,718,082</b>	<b>16,947,448</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(11,450,252)</b>	<b>(12,924,219)</b>	<b>(13,442,710)</b>	<b>(14,698,761)</b>	<b>(13,560,258)</b>	<b>(11,513,668)</b>	<b>(10,961,337)</b>	<b>(9,805,340)</b>	<b>(9,206,557)</b>	<b>(8,677,323)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Sales and Use Taxes	3,954,846	3,703,217	3,632,282	3,449,844	3,151,679	2,940,839	2,762,222	2,754,977	2,498,006	2,333,644
Excise Taxes	433,686	330,600	301,292	311,625	321,419	290,276	267,858	236,761	240,895	244,624
Individual Income Tax	8,292,319	8,037,272	7,505,245	6,978,833	6,291,376	6,061,679	5,847,141	5,285,634	5,154,624	4,653,105
Corporate Income Tax	1,090,209	638,303	963,380	714,313	432,802	643,761	613,316	600,002	606,883	434,885
Other Taxes	517,762	562,124	705,986	577,961	452,042	410,277	673,275	617,612	453,305	519,870
Restricted Taxes	1,468,337	1,271,553	1,348,500	1,273,482	1,169,457	1,132,687	1,186,515	1,052,692	1,039,105	965,784
Unrestricted Investment Earnings (Losses)	50,931	37,599	30,196	21,798	16,987	15,705	11,992	17,312	16,842	15,015
Other General Revenues	104,683	95,460	95,051	199,934	103,476	107,005	96,613	112,958	97,402	96,213
Internal Capital Contributions	-	-	-	44	-	(1,583)	-	-	-	-
Permanent Fund Additions	141,128	580	1,062	277	766	80	401	397	741	595
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>	<b>15,686,939</b>	<b>14,281,611</b>	<b>14,303,413</b>	<b>13,273,787</b>	<b>11,586,357</b>	<b>11,247,993</b>	<b>11,202,595</b>	<b>10,505,903</b>	<b>9,979,268</b>	<b>9,128,328</b>
<b>TOTAL CHANGES IN NET POSITION</b>	<b>4,236,687</b>	<b>1,357,392</b>	<b>860,703</b>	<b>(1,424,974)</b>	<b>(1,973,901)</b>	<b>(265,675)</b>	<b>241,258</b>	<b>700,563</b>	<b>772,711</b>	<b>451,005</b>
<b>NET POSITION - BEGINNING</b>	<b>9,290,973</b>	<b>7,913,886</b>	<b>7,029,957</b>	<b>8,707,037</b>	<b>10,589,266</b>	<b>10,796,794</b>	<b>15,649,715</b>	<b>14,958,731</b>	<b>14,179,064</b>	<b>13,393,108</b>
Prior Period Adjustment	(196,566)	19,695	23,226	8,583	91,672	58,147	(6,626)	1,718	6,956	334,951
Accounting Changes	19,862	-	-	(260,689)	-	-	(5,087,553)	(11,297)	-	0
<b>NET POSITION, FISCAL YEAR BEGINNING (restated)</b>	<b>9,114,269</b>	<b>7,933,581</b>	<b>7,053,183</b>	<b>8,454,931</b>	<b>10,680,938</b>	<b>10,854,941</b>	<b>10,555,536</b>	<b>14,949,152</b>	<b>14,186,020</b>	<b>13,728,059</b>
<b>NET POSITION - ENDING</b>	<b>\$ 13,350,956</b>	<b>\$ 9,290,973</b>	<b>\$ 7,913,886</b>	<b>\$ 7,029,957</b>	<b>\$ 8,707,037</b>	<b>\$ 10,589,266</b>	<b>\$ 10,796,794</b>	<b>\$ 15,649,715</b>	<b>\$ 14,958,731</b>	<b>\$ 14,179,064</b>

**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
BUSINESS-TYPE ACTIVITIES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>PROGRAM REVENUES:</b>										
Charges for Services:										
Licenses and Permits	\$ 219,820	\$ 205,044	\$ 179,382	\$ 168,045	\$ 165,182	\$ 159,704	\$ 157,971	\$ 141,770	\$ 133,315	\$ 131,496
Service Fees	2,932,454	2,766,551	2,712,042	2,449,817	1,404,677	1,297,576	1,145,897	1,068,966	958,451	865,326
Education - Tuition, Fees, and Sales	3,055,836	3,483,570	3,484,740	3,404,969	3,239,887	3,005,967	2,881,240	2,672,136	2,512,026	2,406,696
Fines and Forfeits	3,336	3,648	3,493	4,630	5,769	4,101	3,968	15,470	12,860	9,561
Rents and Royalties	67,981	69,154	52,866	74,482	45,177	40,077	41,944	39,675	47,881	65,236
Sales of Products	847,369	722,152	747,732	686,196	622,179	661,084	605,101	607,744	636,115	624,407
Unemployment Surcharge	602,104	546,038	546,650	562,095	646,336	603,708	698,609	736,985	725,854	828,530
Other	202,739	243,765	207,087	164,008	188,112	165,237	155,707	154,424	159,162	152,448
Operating Grants and Contributions	14,095,372	8,374,699	5,119,323	5,082,655	2,556,915	2,449,163	2,281,931	2,569,038	2,730,519	3,165,718
Capital Grants and Contributions	183,207	123,273	62,609	89,542	43,873	42,996	78,304	56,899	96,655	132,067
<b>TOTAL PROGRAM REVENUES</b>	<b>22,210,218</b>	<b>16,537,894</b>	<b>13,115,924</b>	<b>12,686,439</b>	<b>8,918,107</b>	<b>8,429,613</b>	<b>8,050,672</b>	<b>8,063,107</b>	<b>8,012,838</b>	<b>8,381,485</b>
<b>EXPENSES:</b>										
Higher Education	6,900,408	6,993,311	7,111,041	8,612,196	7,829,889	6,446,902	6,004,484	5,618,507	5,258,665	5,068,481
Healthcare Affordability	4,198,822	3,515,207	3,414,018	3,294,611	-	-	-	-	-	-
Unemployment Insurance	9,465,001	4,765,139	385,192	444,181	518,891	531,607	530,130	756,484	1,055,148	1,571,321
Lottery	691,944	582,721	580,808	547,805	494,110	517,847	474,578	477,434	501,010	495,847
Parks and Wildlife	170,705	166,782	184,870	294,065	257,959	203,794	191,426	170,898	177,497	160,933
College Assist	79,637	201,200	222,726	247,361	315,478	320,774	338,631	341,684	407,229	403,023
Other Business-Type Activities	523,885	128,606	212,190	301,094	219,844	282,471	217,838	209,871	187,265	196,542
<b>TOTAL EXPENSES</b>	<b>22,030,402</b>	<b>16,352,966</b>	<b>12,110,845</b>	<b>13,741,313</b>	<b>9,636,171</b>	<b>8,303,395</b>	<b>7,757,087</b>	<b>7,574,878</b>	<b>7,586,814</b>	<b>7,896,147</b>
<b>NET (EXPENSE) REVENUE</b>	<b>179,816</b>	<b>184,928</b>	<b>1,005,079</b>	<b>(1,054,874)</b>	<b>(718,064)</b>	<b>126,218</b>	<b>293,585</b>	<b>488,229</b>	<b>426,024</b>	<b>485,338</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Other Taxes	9,238	-	-	-	-	-	7	-	-	-
Special and/or Extraordinary Items	-	-	-	-	(808)	-	-	(22,186)	-	-
(Transfers-Out) / Transfers-In	366,962	395,097	279,131	254,324	353,647	352,733	256,738	172,442	128,535	135,407
Internal Capital Contributions	-	-	57,541	51,439	-	10,183	-	-	-	-
Permanent Fund Additions	5	-	-	-	-	-	-	-	-	-
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>	<b>376,205</b>	<b>395,097</b>	<b>336,672</b>	<b>305,763</b>	<b>352,839</b>	<b>362,916</b>	<b>256,745</b>	<b>150,256</b>	<b>128,535</b>	<b>135,407</b>
<b>TOTAL CHANGES IN NET POSITION</b>	<b>556,021</b>	<b>580,025</b>	<b>1,341,751</b>	<b>(749,111)</b>	<b>(365,225)</b>	<b>489,134</b>	<b>550,330</b>	<b>638,485</b>	<b>554,559</b>	<b>620,745</b>
<b>NET POSITION - BEGINNING</b>	<b>5,113,700</b>	<b>4,520,020</b>	<b>3,170,907</b>	<b>4,570,333</b>	<b>4,981,653</b>	<b>4,497,828</b>	<b>7,289,798</b>	<b>6,688,706</b>	<b>6,139,998</b>	<b>5,264,683</b>
Prior Period Adjustment	181,689	11,209	7,362	-	545	(5,309)	-	(6,922)	(5,851)	254,570
Accounting Changes	605	2,446	-	(650,315)	(46,640)	-	(3,342,300)	(30,471)	-	-
<b>NET POSITION, FISCAL YEAR BEGINNING (restated)</b>	<b>5,295,994</b>	<b>4,533,675</b>	<b>3,178,269</b>	<b>3,920,018</b>	<b>4,935,558</b>	<b>4,492,519</b>	<b>3,947,498</b>	<b>6,651,313</b>	<b>6,134,147</b>	<b>5,519,253</b>
<b>NET POSITION - ENDING</b>	<b>\$ 5,852,015</b>	<b>\$ 5,113,700</b>	<b>\$ 4,520,020</b>	<b>\$ 3,170,907</b>	<b>\$ 4,570,333</b>	<b>\$ 4,981,653</b>	<b>\$ 4,497,828</b>	<b>\$ 7,289,798</b>	<b>\$ 6,688,706</b>	<b>\$ 6,139,998</b>



**GOVERNMENT-WIDE  
SCHEDULE OF CHANGES IN NET POSITION  
TOTAL PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

Functions/Programs	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>PROGRAM REVENUES:</b>										
Charges for Services:										
Licenses and Permits	\$ 818,720	\$ 764,623	\$ 738,475	\$ 732,121	\$ 707,118	\$ 678,524	\$ 659,290	\$ 613,985	\$ 580,547	\$ 574,289
Service Fees	3,311,540	3,172,914	3,102,631	2,807,926	2,411,653	2,436,802	2,025,036	1,970,805	1,924,065	1,767,276
Education - Tuition, Fees, and Sales	3,055,836	3,483,570	3,484,740	3,404,969	3,239,887	3,005,967	2,881,240	2,672,136	2,512,026	2,406,696
Fines and Forfeits	214,299	194,047	229,371	195,363	212,431	199,357	204,989	196,568	261,380	196,905
Rents and Royalties	199,435	225,450	227,951	221,792	177,487	182,829	241,011	222,568	181,782	213,182
Sales of Products	852,333	738,915	757,774	689,414	625,384	664,387	608,491	609,885	638,966	626,033
Unemployment Surcharge	642,258	584,114	580,741	596,340	678,843	634,476	727,990	765,620	751,578	847,837
Other	572,170	431,621	418,793	316,293	327,040	308,488	286,858	299,373	286,245	237,276
Operating Grants and Contributions	24,590,640	16,162,795	11,941,802	11,710,412	10,706,249	11,027,309	10,008,599	9,351,952	8,590,571	9,049,749
Capital Grants and Contributions	727,760	740,497	490,941	835,039	858,612	862,317	895,773	785,443	797,203	732,367
<b>TOTAL PROGRAM REVENUES</b>	<b>34,984,991</b>	<b>26,498,546</b>	<b>21,973,219</b>	<b>21,509,669</b>	<b>19,944,704</b>	<b>20,000,456</b>	<b>18,539,277</b>	<b>17,488,335</b>	<b>16,524,363</b>	<b>16,651,610</b>
<b>EXPENSES:</b>										
General Government	822,391	1,214,677	1,493,871	739,872	653,247	485,611	449,261	447,359	555,507	224,382
Business, Community, and Consumer Affairs	1,368,553	713,827	734,786	912,495	919,676	777,458	711,558	641,182	584,300	600,068
Education	6,656,947	6,875,955	6,469,072	6,086,573	6,045,204	5,859,964	5,687,573	5,472,563	5,187,481	5,205,123
Health and Rehabilitation	1,660,656	836,872	935,044	1,258,445	1,170,889	2,898,841	822,556	720,997	697,795	703,684
Justice	1,691,958	1,734,902	1,970,515	3,254,155	2,974,666	2,209,158	2,075,534	1,840,989	1,655,057	1,555,294
Natural Resources	99,053	90,248	123,036	219,659	169,528	135,491	120,374	92,383	77,934	93,900
Social Assistance	10,157,280	9,430,179	8,589,168	8,810,715	10,489,419	8,825,599	9,627,104	8,089,560	7,174,711	6,746,574
Transportation	1,632,855	1,884,872	1,875,438	2,179,299	2,105,462	1,830,368	1,896,904	1,872,441	1,769,013	1,777,488
Interest on Debt	135,332	103,339	109,075	60,778	58,764	62,021	59,078	53,094	16,284	40,935
Higher Education	6,900,408	6,993,311	7,111,041	8,612,196	7,829,889	6,446,902	6,004,484	5,618,507	5,258,665	5,068,481
Healthcare Affordability	4,198,822	3,515,207	3,414,018	-	-	-	-	-	-	-
Unemployment Insurance	9,465,001	4,765,139	385,192	444,181	518,891	531,607	530,130	756,484	1,055,148	1,571,321
Lottery	691,944	582,721	580,808	547,805	494,110	517,847	474,578	477,434	501,010	495,847
Parks and Wildlife	170,705	166,782	184,870	294,065	257,959	203,794	191,426	170,898	177,497	160,933
College Assist	79,637	201,200	222,726	247,361	315,478	320,774	338,631	341,684	407,229	403,023
Other Business-Type Activities	523,885	128,606	212,190	301,094	219,844	282,471	217,838	209,871	187,265	196,542
<b>TOTAL EXPENSES</b>	<b>46,255,427</b>	<b>39,237,837</b>	<b>34,410,850</b>	<b>37,263,304</b>	<b>34,223,026</b>	<b>31,387,906</b>	<b>29,207,029</b>	<b>26,805,446</b>	<b>25,304,896</b>	<b>24,843,595</b>
<b>NET (EXPENSE) REVENUE</b>	<b>(11,270,436)</b>	<b>(12,739,291)</b>	<b>(12,437,631)</b>	<b>(15,753,635)</b>	<b>(14,278,322)</b>	<b>(11,387,450)</b>	<b>(10,667,752)</b>	<b>(9,317,111)</b>	<b>(8,780,533)</b>	<b>(8,191,985)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>										
Sales and Use Taxes	3,954,846	3,703,217	3,632,282	3,449,844	3,151,679	2,940,839	2,762,222	2,754,977	2,498,006	2,333,644
Excise Taxes	433,686	330,600	301,292	311,625	321,419	290,276	267,858	236,761	240,895	244,624
Individual Income Tax	8,292,319	8,037,272	7,505,245	6,978,833	6,291,376	6,061,679	5,847,141	5,285,634	5,154,624	4,653,105
Corporate Income Tax	1,090,209	638,303	963,380	714,313	432,802	643,761	613,316	600,002	606,883	434,885
Other Taxes	527,000	562,124	705,986	577,961	452,042	410,277	673,282	617,612	453,305	519,870
Restricted Taxes	1,468,337	1,271,553	1,348,050	1,273,482	1,169,457	1,132,687	1,186,515	1,052,692	1,039,105	965,784
Unrestricted Investment Earnings (Losses)	50,931	37,599	30,196	21,798	16,987	15,705	11,992	17,312	16,842	15,015
Other General Revenues	104,683	95,460	95,051	199,934	103,476	107,005	96,613	112,958	97,402	96,213
Special and/or Extraordinary Items	-	-	-	-	(808)	-	-	(22,186)	0	0
Internal Capital Contributions	-	-	57,541	51,483	-	8,600	-	-	-	-
Permanent Fund Additions	141,133	580	1,062	277	766	80	401	397	741	595
<b>TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:</b>	<b>16,063,144</b>	<b>14,676,708</b>	<b>14,640,085</b>	<b>13,579,550</b>	<b>11,939,196</b>	<b>11,610,909</b>	<b>11,459,340</b>	<b>10,656,159</b>	<b>10,107,803</b>	<b>9,263,735</b>
<b>TOTAL CHANGES IN NET POSITION</b>	<b>4,792,708</b>	<b>1,937,417</b>	<b>2,202,454</b>	<b>(2,174,085)</b>	<b>(2,339,126)</b>	<b>223,459</b>	<b>791,588</b>	<b>1,339,048</b>	<b>1,327,270</b>	<b>1,071,750</b>
<b>NET POSITION - BEGINNING</b>	<b>14,404,673</b>	<b>12,433,906</b>	<b>10,200,864</b>	<b>13,277,370</b>	<b>15,570,919</b>	<b>15,294,622</b>	<b>22,939,513</b>	<b>21,647,437</b>	<b>20,319,062</b>	<b>18,657,791</b>
Prior Period Adjustment	(14,877)	30,904	30,588	8,583	92,217	52,838	(6,626)	(5,204)	1,105	589,521
Accounting Changes	20,467	2,446	-	(911,004)	(46,640)	-	(8,429,853)	(41,768)	-	0
<b>NET POSITION, FISCAL YEAR BEGINNING (restated)</b>	<b>14,410,263</b>	<b>12,467,256</b>	<b>10,231,452</b>	<b>12,374,949</b>	<b>15,616,496</b>	<b>15,347,460</b>	<b>14,503,034</b>	<b>21,600,465</b>	<b>20,320,167</b>	<b>19,247,312</b>
<b>NET POSITION - ENDING</b>	<b>\$ 19,202,971</b>	<b>\$ 14,404,673</b>	<b>\$ 12,433,906</b>	<b>\$ 10,200,864</b>	<b>\$ 13,277,370</b>	<b>\$ 15,570,919</b>	<b>\$ 15,294,622</b>	<b>\$ 22,939,513</b>	<b>\$ 21,647,437</b>	<b>\$ 20,319,062</b>

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN MILLIONS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>REVENUES:</b>										
Taxes	\$ 15,837	\$ 14,616	\$ 14,199	\$ 13,389	\$ 11,835	\$ 11,471	\$ 11,205	\$ 10,596	\$ 10,018	\$ 9,182
Less: Excess TABOR Revenues	-	-	-	-	-	-	170	-	-	-
Licenses, Permits, and Fines	895	832	869	940	838	810	801	758	789	724
Charges for Goods and Services	386	426	403	363	1,012	1,144	885	905	970	892
Rents	131	156	175	147	132	143	199	183	134	148
Investment Income	164	397	352	41	46	139	99	115	19	120
Federal Grants and Contracts	10,847	7,837	6,680	7,047	8,685	9,047	8,283	7,183	6,428	6,223
Unclaimed Property Receipts	143	55	47	78	64	65	61	53	37	43
Other	472	354	426	397	338	321	329	365	263	254
<b>TOTAL REVENUES</b>	<b>28,875</b>	<b>24,673</b>	<b>23,151</b>	<b>22,402</b>	<b>22,950</b>	<b>23,140</b>	<b>22,032</b>	<b>20,158</b>	<b>18,658</b>	<b>17,586</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
General Government	467	401	377	381	344	324	305	331	325	359
Business, Community and Consumer Affairs	880	526	493	480	453	474	469	395	375	363
Education	698	982	911	832	869	852	785	730	674	661
Health and Rehabilitation	1,623	911	846	778	770	1,784	699	658	641	626
Justice	2,108	2,103	1,971	1,808	1,705	1,741	1,648	1,605	1,422	1,322
Natural Resources	120	131	129	128	113	107	103	107	99	90
Social Assistance	9,072	8,345	7,539	7,572	9,358	8,726	8,627	7,416	6,488	6,065
Transportation	1,485	1,555	1,298	1,348	1,364	1,331	1,282	1,203	1,065	982
Capital Outlay	393	418	265	272	189	191	325	298	299	459
<b>Intergovernmental:</b>										
Cities	587	523	503	471	491	425	421	412	297	287
Counties	2,205	1,751	1,916	1,759	1,740	1,656	1,627	1,573	1,504	1,371
School Districts	6,033	5,961	5,594	5,171	5,122	4,995	4,909	4,475	4,235	4,199
Other	393	451	410	244	255	227	205	202	323	177
Debt Service	229	163	179	128	239	280	270	261	247	236
<b>TOTAL EXPENDITURES</b>	<b>26,293</b>	<b>24,221</b>	<b>22,431</b>	<b>21,372</b>	<b>23,012</b>	<b>23,113</b>	<b>21,675</b>	<b>19,666</b>	<b>17,994</b>	<b>17,197</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,582</b>	<b>452</b>	<b>720</b>	<b>1,030</b>	<b>(62)</b>	<b>27</b>	<b>357</b>	<b>492</b>	<b>664</b>	<b>389</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers-In	2,737	1,702	1,813	5,447	5,851	4,915	4,535	5,405	5,750	4,622
<b>Transfers-Out:</b>										
Higher Education	(284)	(284)	(376)	(230)	(230)	(181)	(181)	(143)	(135)	(133)
Other	(2,812)	(1,811)	(1,711)	(5,458)	(5,966)	(5,079)	(4,607)	(5,390)	(5,728)	(4,612)
Face Amount of Debt Issued	775	666	740	156	129	11	-	97	196	156
Bond Premium/Discount	178	137	57	21	14	-	-	6	9	13
Capital Lease Debt Issuance	5	1	1	4	1	-	-	25	1	17
Sale of Capital Assets	7	55	24	10	15	7	3	27	31	14
Insurance Recoveries	6	3	2	7	8	5	13	2	1	6
Debt Refunding Issuance	19	-	-	-	-	-	-	112	31	126
Debt Refunding Premium Proceeds	4	-	-	-	-	-	-	-	-	19
Debt Refunding Payments	(23)	-	-	-	-	-	-	-	(31)	(144)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>612</b>	<b>469</b>	<b>550</b>	<b>(43)</b>	<b>(178)</b>	<b>(322)</b>	<b>(237)</b>	<b>141</b>	<b>125</b>	<b>84</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,194</b>	<b>921</b>	<b>1,270</b>	<b>987</b>	<b>(240)</b>	<b>(295)</b>	<b>120</b>	<b>633</b>	<b>789</b>	<b>473</b>
<b>FUND BALANCE - BEGINNING</b>	<b>9,492</b>	<b>8,579</b>	<b>7,349</b>	<b>6,364</b>	<b>6,609</b>	<b>6,847</b>	<b>6,734</b>	<b>6,100</b>	<b>5,293</b>	<b>4,842</b>
Prior Period Adjustments	40	(8)	(40)	(2)	(5)	58	(7)	-	18	(22)
Accounting Changes	20	-	-	-	-	-	-	1	-	-
<b>FUND BALANCE, FISCAL YEAR BEGINNING (restated)</b>	<b>9,552</b>	<b>8,571</b>	<b>7,309</b>	<b>6,362</b>	<b>6,604</b>	<b>6,905</b>	<b>6,727</b>	<b>6,101</b>	<b>5,311</b>	<b>4,820</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 12,746</b>	<b>\$ 9,492</b>	<b>\$ 8,579</b>	<b>\$ 7,349</b>	<b>\$ 6,364</b>	<b>\$ 6,609</b>	<b>\$ 6,847</b>	<b>\$ 6,734</b>	<b>\$ 6,100</b>	<b>\$ 5,293</b>

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

(DOLLARS IN MILLIONS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Income Tax:										
Individual	\$ 8,306	\$ 8,056	\$ 7,328	\$ 7,006	\$ 6,209	\$ 5,993	\$ 5,888	\$ 5,273	\$ 5,149	\$ 4,633
Corporate	1,118	670	856	736	467	606	635	665	597	457
(Refunds)										
Net Income Tax	\$ 9,424	8,726	8,184	7,742	\$ 6,676	6,599	6,523	5,938	5,746	5,090
Sales, Use, and Excise Taxes	4,033	3,759	3,695	3,501	3,188	2,996	2,990	2,763	2,549	2,387
Less: Excess TABOR Revenues	-	-	-	-	-	-	(170)	-	-	-
Net Sales, Use, and Excise Taxes	4,033	3,759	3,695	3,501	3,188	2,996	2,820	2,763	2,549	2,387
Estate Taxes	-	-	-	-	-	-	-	-	-	-
Insurance Tax	336	337	315	304	291	280	257	239	210	197
Gaming and Other Taxes	45	40	53	156	-	16	14	12	12	20
Investment Income	50	31	27	20	15	13	9	15	17	14
Severance Taxes to be Refunded	-	-	-	-	54	-	-	-	-	-
Other	-	-	-	-	40	26	19	25	21	26
<b>TOTAL GENERAL REVENUES</b>	<b>\$ 13,888</b>	<b>\$ 12,893</b>	<b>\$ 12,274</b>	<b>\$ 11,723</b>	<b>\$ 10,264</b>	<b>\$ 9,930</b>	<b>\$ 9,642</b>	<b>\$ 8,992</b>	<b>\$ 8,555</b>	<b>\$ 7,734</b>
Percent Change From Previous Year	7.7%	5.0%	4.7%	14.2%	3.4%	3.0%	7.2%	5.1%	10.6%	9.1%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)										
Net Income Tax	67.9%	67.7%	66.7%	66.0%	65.0%	66.5%	66.5%	66.0%	67.2%	65.8%
Sales, Use, and Excise Taxes	29.0	29.2	30.1	29.9	31.2	30.1	30.5	30.7	29.8	30.9
Estate Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Tax	2.4	2.6	2.6	2.6	2.8	2.8	2.6	2.7	2.5	2.5
Other Taxes	0.3	0.3	0.4	1.3	0.0	0.2	0.1	0.1	0.1	0.3
Interest	0.4	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Fiscal Emergency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Severance Taxes to be Refunded	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.4	0.3	0.2	0.3	0.2	0.3
<b>TOTAL GENERAL REVENUES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**EXPENDITURES BY DEPARTMENT<sup>1</sup> AND TRANSFERS  
FUNDED BY GENERAL PURPOSE REVENUES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Department: <sup>1</sup>										
Agriculture	\$ (17)	\$ 12,018	\$ 11,346	\$ 10,428	\$ 10,639	\$ 10,050	\$ 8,633	\$ 7,697	\$ 6,975	\$ 5,152
Corrections	2,841	876,905	837,497	773,788	748,559	758,545	717,579	675,706	652,394	647,313
Education	14,771	4,412,459	4,114,576	4,070,889	3,764,298	3,477,785	3,357,324	3,153,609	3,014,681	2,833,433
Governor	827,832	45,321	42,375	36,283	39,615	34,609	30,267	22,819	18,555	9,699
Health Care Policy and Financing	4,079,836	3,021,536	2,923,196	2,727,717	2,468,392	2,446,338	2,274,875	2,100,771	1,829,776	1,685,679
Higher Education	84,070	1,110,841	1,001,121	894,450	870,664	856,849	761,306	658,901	628,565	623,963
Human Services	3,179,655	1,088,434	1,055,818	984,291	918,130	936,071	877,162	812,603	753,225	703,676
Judicial Branch	611,554	597,673	561,799	514,874	487,636	481,550	441,700	386,870	354,119	337,039
Labor and Employment	1,003,256	24,341	20,539	21,302	21,579	7,754	660	50	-	-
Law	558,991	17,553	16,396	15,722	14,774	14,525	13,457	12,127	10,355	9,341
Legislative Branch	18,334	54,052	51,082	48,202	44,880	43,410	41,132	38,712	35,957	34,672
Local Affairs	13,694	46,290	37,125	29,184	25,235	25,481	22,244	17,540	10,976	10,448
Military and Veterans Affairs	53,583	10,924	10,983	30,814	8,253	7,907	7,792	7,094	6,576	5,355
Natural Resources	114,198	34,282	32,307	30,882	28,711	27,519	26,216	25,141	23,620	23,400
Personnel & Administration	9,917	16,229	13,971	12,088	12,273	11,034	7,601	31,407	6,588	3,935
Public Health and Environment	33,469	60,841	53,492	46,506	48,448	49,964	59,383	53,588	31,199	27,742
Public Safety	30,679	163,721	185,018	124,204	122,404	113,976	126,747	165,240	85,595	81,993
Regulatory Agencies	63,890	2,334	6,224	5,964	5,742	6,073	6,007	1,730	1,674	1,597
Revenue	39,138	327,633	260,583	250,438	90,957	149,361	97,249	73,626	55,078	55,596
Transportation	-	-	-	-	392	102	-	-	-	-
Treasury	(10,375)	660,126	774,821	190,457	15,908	12,522	5,684	108,870	27,650	4,914
Transfer to Capital Construction Fund	1,286,711	112,692	90,382	92,084	84,484	271,130	248,502	186,715	61,411	49,298
Transfer to Various Cash Funds	361,300	361,300	814,200	674,900	194,735	90,196	67,555	260,272	1,086,051	72,000
Transfer to the Highway Users Tax Fund	-	-	-	-	79,000	199,200	-	-	-	-
Other Transfers and Nonoperating Disbursements	25,125	25,125	278,999	181,151	153,379	143,492	127,795	126,263	262,406	25,479
<b>TOTALS</b>	<b>\$ 12,402,452</b>	<b>\$ 13,082,630</b>	<b>\$ 13,193,850</b>	<b>\$ 11,766,618</b>	<b>\$ 10,259,087</b>	<b>\$ 10,175,443</b>	<b>\$ 9,326,870</b>	<b>\$ 8,927,351</b>	<b>\$ 8,963,426</b>	<b>\$ 7,251,724</b>
Percent Change	-5.2%	-0.8%	12.1%	14.7%	0.8%	9.1%	4.5%	-0.4%	23.6%	0.3%
(AS PERCENT OF TOTAL)										
Education	0.1%	33.7%	31.2%	34.6%	36.7%	34.2%	36.0%	35.3%	33.6%	39.1%
Health Care Policy and Financing	32.9	23.1	22.2	23.2	24.1	24.0	24.4	23.5	20.4	23.2
Higher Education	0.7	8.5	7.6	7.6	8.5	8.4	8.2	7.4	7.0	8.6
Human Services	25.6	8.3	8.0	8.4	8.9	9.2	9.4	9.1	8.4	9.7
Corrections	0.0	6.7	6.3	6.6	7.3	7.5	7.7	7.6	7.3	8.9
Transfer to Capital Construction Fund	10.4	0.9	0.7	0.8	0.8	2.7	2.7	2.1	0.7	0.7
Transfer to Various Cash Funds	2.9	2.8	6.2	5.7	1.9	0.9	0.7	2.9	12.1	1.0
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0	0.8	2.0	0.0	0.0	0.0	0.0
Judicial	4.9	4.6	4.3	4.4	4.8	4.7	4.7	4.3	4.0	4.6
Revenue	0.3	2.5	2.0	2.1	0.9	1.5	1.0	0.8	0.6	0.8
All Others	22.2	8.9	11.5	6.6	5.3	4.9	5.2	7.0	5.9	3.4
<b>TOTALS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

**FUND BALANCE  
GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
GENERAL:										
Nonspendable:										
Inventories	70,664	14,343	9,944	7,975	8,503	7,522	8,894	8,721	9,931	6,942
Prepays	50,702	69,432	38,547	38,173	39,348	37,977	40,971	38,535	22,654	24,175
Restricted	609,779	823,528	814,658	626,068	442,249	497,814	398,948	468,758	487,161	503,449
Committed	1,287,662	616,483	1,114,406	970,235	646,700	513,986	705,844	411,362	279,352	331,419
Assigned	123,036	35,241	33,264	29,641	17,218	19,283	20,731	7,651	7	20
Unassigned	2,403,821	842,567	52,088	334,660	-	-	-	-	-	359,421
<b>TOTAL FUND BALANCE</b>	<b>4,545,664</b>	<b>2,401,594</b>	<b>2,062,907</b>	<b>2,006,752</b>	<b>1,154,018</b>	<b>1,076,582</b>	<b>1,175,388</b>	<b>935,027</b>	<b>799,105</b>	<b>1,225,426</b>
FEDERAL SPECIAL REVENUE:										
Restricted	11,373	21,350	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>11,373</b>	<b>21,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
HIGHWAY USERS TAX:										
Nonspendable:										
Long-term Portion of Interfund Loans Receivable	-	-	-	-	-	30	-	-	-	-
Inventories	17,908	20,946	18,012	8,281	9,334	8,860	8,377	7,673	8,249	8,406
Prepays	6,077	5,032	3,717	3,729	679	1,252	1,908	1,481	4,210	64
Restricted	679,412	900,962	961,284	882,113	917,778	975,001	942,510	1,080,201	1,145,997	1,176,269
Committed	49,045	51,413	59,641	58,076	52,929	46,278	35,765	41,017	39,087	38,254
<b>TOTAL FUND BALANCE</b>	<b>752,442</b>	<b>978,353</b>	<b>1,042,654</b>	<b>952,199</b>	<b>980,720</b>	<b>1,031,421</b>	<b>988,560</b>	<b>1,130,372</b>	<b>1,197,543</b>	<b>1,222,993</b>
ALL OTHER GOVERNMENTAL FUNDS:										
Nonspendable:										
Long-term Portion of Interfund Loans Receivable	-	-	13	12	-	19,141	-	-	-	-
Inventories	179,646	105,795	72,311	35,171	35,445	36,166	36,059	36,008	36,013	284
Permanent Fund Principal	1,438,292	1,398,247	1,274,846	1,186,138	1,122,480	1,043,619	971,676	868,383	760,160	737,239
Prepays	46,242	35,781	39,324	38,387	27,007	24,046	23,941	27,884	28,487	28,601
Restricted	986,088	558,485	503,018	516,128	418,847	607,618	1,000,463	1,466,516	1,637,012	497,221
Committed	4,785,759	3,992,116	3,583,836	2,614,577	2,624,986	2,770,832	2,650,703	2,269,885	1,641,899	1,581,143
<b>TOTAL FUND BALANCE</b>	<b>7,436,027</b>	<b>6,090,424</b>	<b>5,473,348</b>	<b>4,390,413</b>	<b>4,228,765</b>	<b>4,501,422</b>	<b>4,682,842</b>	<b>4,668,676</b>	<b>4,103,571</b>	<b>2,844,488</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 12,745,506</b>	<b>\$ 9,491,721</b>	<b>\$ 8,578,909</b>	<b>\$ 7,349,364</b>	<b>\$ 6,363,503</b>	<b>\$ 6,609,425</b>	<b>\$ 6,846,790</b>	<b>\$ 6,734,075</b>	<b>\$ 6,100,219</b>	<b>\$ 5,292,907</b>

**TABOR REVENUES, EXPENDITURES,  
FISCAL YEAR SPENDING LIMITATIONS,  
AND REFUNDS  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>DISTRICT REVENUES:</b>										
Exempt District Revenues	\$ 27,782,645	\$ 20,523,556	\$ 18,613,345	\$ 17,388,665	\$ 17,784,588	\$ 18,170,415	\$ 16,980,420	\$ 17,076,305	\$ 16,446,833	\$ 15,017,772
Nonexempt District Revenues	16,169,779	14,873,754	14,788,420	13,720,881	12,891,657	12,824,408	12,530,772	11,691,905	11,107,341	10,273,184
<b>TOTAL DISTRICT REVENUES</b>	<b>43,952,424</b>	<b>35,397,310</b>	<b>33,401,765</b>	<b>31,109,546</b>	<b>30,676,245</b>	<b>30,994,823</b>	<b>29,511,192</b>	<b>28,768,210</b>	<b>27,554,174</b>	<b>25,290,956</b>
Percent Change In Nonexempt District Revenues	8.7%	0.6%	7.8%	6.4%	0.5%	2.3%	7.2%	5.3%	8.1%	9.0%
<b>DISTRICT EXPENDITURES:</b>										
Exempt District Expenditures	27,782,645	20,523,556	18,613,345	17,388,666	17,784,588	18,170,415	16,980,420	17,076,305	16,446,833	15,017,772
Nonexempt District Expenditures	12,287,617	13,759,681	13,001,752	12,852,870	13,251,437	13,076,457	12,237,753	11,016,588	10,263,972	9,791,616
<b>TOTAL DISTRICT EXPENDITURES</b>	<b>40,070,262</b>	<b>34,283,237</b>	<b>31,615,097</b>	<b>30,241,536</b>	<b>31,036,025</b>	<b>31,246,872</b>	<b>29,218,173</b>	<b>28,092,893</b>	<b>26,710,805</b>	<b>24,809,388</b>
Percent Change In Nonexempt District Expenditures	-10.7%	5.8%	1.2%	-3.0%	1.3%	6.9%	11.1%	7.3%	4.8%	4.9%
<b>TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)</b>	<b>\$ 3,882,162</b>	<b>\$ 1,114,073</b>	<b>\$ 1,786,668</b>	<b>\$ 868,010</b>	<b>\$ (359,780)</b>	<b>\$ (252,049)</b>	<b>\$ 293,019</b>	<b>\$ 675,317</b>	<b>\$ 843,369</b>	<b>\$ 481,568</b>
<b>FISCAL YEAR SPENDING LIMIT</b>										
Prior Fiscal Year Spending Limitation	\$ 12,249,004	\$ 11,759,345	\$ 11,220,749	\$ 10,761,667	\$ 10,427,606	\$ 9,976,946	\$ 9,566,586	\$ 9,247,466	\$ 8,799,754	\$ 8,654,192
Adjustments To Prior Year Limit <sup>1</sup>	(3,315)	-	-	(24,108)	10,480	(45,595)	(962)	(152)	(27,952)	(26,982)
<b>ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION</b>	<b>12,245,689</b>	<b>11,759,345</b>	<b>11,220,749</b>	<b>10,737,559</b>	<b>10,438,086</b>	<b>9,931,351</b>	<b>9,565,624</b>	<b>9,247,314</b>	<b>8,771,802</b>	<b>8,627,210</b>
Allowable Growth Rate (Population Plus Inflation)	3.1%	4.1%	4.8%	4.5%	3.1%	4.4%	4.3%	3.3%	5.4%	2.0%
Current Fiscal Year Spending Limitation	12,625,305	12,241,478	11,759,345	11,220,749	10,761,667	10,368,330	9,976,946	9,552,475	9,245,479	8,799,754
Adjustments To Current Year Limit	2,763	7,525	-	-	-	59,276	0	14,111	1,987	-
<b>ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION</b>	<b>12,628,068</b>	<b>12,249,003</b>	<b>11,759,345</b>	<b>11,220,749</b>	<b>10,761,667</b>	<b>10,427,606</b>	<b>9,976,946</b>	<b>9,566,586</b>	<b>9,247,466</b>	<b>8,799,754</b>
<b>EXCESS STATE REVENUE CAP (ESRC)<sup>2</sup></b>	<b>15,644,324</b>	<b>14,956,372</b>	<b>14,360,084</b>	<b>13,702,371</b>	<b>13,327,811</b>	<b>12,946,499</b>	<b>12,361,032</b>	<b>11,852,383</b>	<b>11,460,242</b>	<b>10,871,425</b>
<b>NONEXEMPT DISTRICT REVENUES</b>	<b>16,169,779</b>	<b>14,873,754</b>	<b>14,788,420</b>	<b>13,720,881</b>	<b>12,891,657</b>	<b>12,824,408</b>	<b>12,530,772</b>	<b>11,691,905</b>	<b>11,107,341</b>	<b>10,273,184</b>
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	3,541,711	2,624,751	3,029,075	2,500,132	2,129,990	2,396,802	2,553,826	2,125,319	1,859,875	1,473,430
Amount Over(Under) Excess State Revenue Cap	525,455	(82,618)	428,336	18,510	(436,154)	(122,091)	169,740	(160,478)	(352,901)	(598,242)
Correction Of Prior Years' Refunds Voter Approved or Statutory Retention of Excess Revenue	-	575	3,207	-	(346)	(13,899)	-	-	-	-
<b>FISCAL YEAR REFUND</b>	<b>\$ 525,455</b>	<b>\$ -</b>	<b>\$ 431,685</b>	<b>\$ 18,510</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 173,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1</sup> - Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

<sup>2</sup> - Beginning in Fiscal Year 2011, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

**DEBT SERVICE EXPENDITURES  
ALL GOVERNMENTAL FUND TYPES  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
DEBT SERVICE EXPENDITURES:										
Principal	\$ 98,582	\$ 61,201	\$ 85,722	\$ 62,203	\$ 177,925	\$ 210,390	\$ 194,818	\$ 184,106	\$ 163,939	\$ 150,690
Interest	130,554	102,291	94,654	65,566	60,781	69,729	74,689	77,005	82,660	85,586
TOTAL DEBT SERVICE EXPENDITURES	\$ 229,136	\$ 163,492	\$ 180,376	\$ 127,769	\$ 238,706	\$ 280,119	\$ 269,507	\$ 261,111	\$ 246,599	\$ 236,276
Percent Change Over Previous Year	40.2%	-9.4%	41.2%	-46.5%	-14.8%	3.9%	3.2%	5.9%	4.4%	13.7%
TOTAL NONCAPITAL EXPENDITURES	24,893,602	22,859,536	21,394,396	20,293,035	21,788,949	22,034,812	20,480,883	19,001,514	17,329,054	16,470,142
TOTAL CAPITAL EXPENDITURES	1,399,666	1,361,585	1,036,687	1,079,152	1,222,662	1,078,383	1,194,596	664,762	653,157	726,501
TOTAL GOVERNMENTAL EXPENDITURES	26,293,268	24,221,121	22,431,083	21,372,187	23,011,611	23,113,195	21,675,479	19,666,276	17,982,211	17,196,643
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:										
Principal	0.4%	0.3%	0.4%	0.3%	0.8%	1.0%	1.0%	1.0%	0.9%	0.9%
Interest	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%
Total Debt Service Expenditures	0.9%	0.7%	0.8%	0.6%	1.1%	1.3%	1.3%	1.4%	1.4%	1.4%

**TOTAL OUTSTANDING DEBT<sup>1,2,3</sup>  
PRIMARY GOVERNMENT  
Last Ten Fiscal Years**

(DOLLARS IN THOUSANDS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities:										
Revenue Backed Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,925	\$ 289,789	\$ 443,881	\$ 574,147	\$ 739,138
Certificates of Participation	3,989,933	2,903,588	2,152,555	1,426,314	1,302,382	1,205,172	1,227,828	1,267,869	1,192,193	1,018,456
Capital Leases	117,998	119,822	123,600	131,873	142,153	150,665	172,329	174,996	151,010	121,429
Notes and Mortgages	2,315	4,585	6,805	8,979	11,115	13,205	15,250	17,385	19,220	19,369
TOTAL GOVERNMENTAL OUTSTANDING DEBT	4,110,246	3,027,995	2,282,960	1,567,166	1,455,650	1,496,967	1,705,196	1,904,131	1,936,570	1,898,392
Business-Type Activities:										
Revenue Backed Debt	4,938,280	4,637,188	4,452,563	4,602,833	4,391,057	4,320,596	4,242,726	3,967,023	3,724,951	3,753,617
Certificates of Participation	132,403	393,248	433,021	461,461	346,769	372,661	399,231	403,761	403,603	420,951
Capital Leases	74,224	35,645	37,402	48,152	49,891	57,126	54,281	42,192	41,728	39,038
Notes and Mortgages	116,325	66,371	67,985	60,047	61,396	53,968	28,317	4,810	3,522	7,353
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	5,261,232	5,132,452	4,990,971	5,172,493	4,849,113	4,804,351	4,724,555	4,417,786	4,173,804	4,220,959
Total Primary Government:										
Revenue Backed Debt	4,938,280	4,637,188	4,452,563	4,602,833	4,391,057	4,448,521	4,532,515	4,410,904	4,299,098	4,492,755
Certificates of Participation	4,122,336	3,296,836	2,585,576	1,887,775	1,649,151	1,577,833	1,627,059	1,671,630	1,595,796	1,439,407
Capital Leases	192,222	155,467	161,002	180,025	192,044	207,791	226,610	217,188	192,738	160,467
Notes and Mortgages	118,640	70,956	74,790	69,026	72,511	67,173	43,567	22,195	22,742	26,722
TOTAL OUTSTANDING DEBT <sup>1</sup>	\$ 9,371,478	\$ 8,160,447	\$ 7,273,931	\$ 6,739,659	\$ 6,304,763	\$ 6,301,318	\$ 6,429,751	\$ 6,321,917	\$ 6,110,374	\$ 6,119,351
Percent Change Over Previous Year	14.8%	12.2%	7.9%	6.9%	0.1%	-2.0%	1.7%	3.5%	-0.1%	19.5%
Colorado Population (In Thousands) Restated for Census	5,736	5,759	5,772	5,672	5,594	5,524	5,438	5,350	5,271	5,186
Per Capita Debt (Dollars Per Person) Restated for Census	\$1,634	\$1,417	\$1,260	\$1,188	\$1,127	\$1,141	\$1,182	\$1,182	\$1,159	\$1,180
Per Capita Income (Thousands Per Person)	\$61.4	\$61.3	\$59.0	\$59.1	\$55.8	\$52.6	\$52.4	\$50.7	\$47.2	\$45.6
Per Capita Debt as a Percent of Per Capita Income	2.7%	2.3%	2.1%	2.0%	2.0%	2.2%	2.3%	2.3%	2.5%	2.6%

<sup>1</sup> - General Obligation Debt is prohibited by the State Constitution except to fund buildings for state use, to defend the state or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

<sup>2</sup> - Colorado State Constitution requires multi-years obligations to be approved by voters therefore there is no specific legal debt limitation.

<sup>3</sup> - Beginning in Fiscal Year 2014 debt liabilities are not offset by unamortized refunding gains or losses. With GASB Statement No. 65, these balances became deferred inflows and or outflows.

**REVENUE BOND COVERAGE<sup>1</sup>**  
**Last Ten Fiscal Years**  
(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b>Governmental Funds: Transportation Revenue Anticipation Notes (TRANS)</b>							
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00
2020	-	-	-	-	-	-	0.00
2019	-	-	-	-	-	-	0.00
2018	-	-	-	-	-	-	0.00
2017	-	-	-	-	-	-	0.00
2016	1,566,285	1,437,505	128,780	126,100	2,680	128,780	1.00
2015	1,358,950	1,191,461	167,489	157,220	10,269	167,489	1.00
2014	1,240,588	1,073,259	167,329	147,225	20,104	167,329	1.00
2013	1,204,153	1,037,025	167,128	132,105	35,023	167,128	1.00
2012	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
<b>Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance<sup>2</sup></b>							
2021	\$ 114,451	\$ -	\$ 114,451	\$ -	\$ 25,271	\$ 25,271	4.53
2020	112,362	-	112,362	-	17,699	17,699	6.35
2019	111,674	-	111,674	-	18,234	18,234	6.12
2018	106,022	-	106,022	-	18,234	18,234	5.81
2017	109,927	-	109,927	-	18,234	18,234	6.03
2016	231,775	-	231,775	124,965	20,546	145,511	1.59
2015	363,612	-	363,612	249,925	24,857	274,782	1.32
2014	486,250	-	486,250	374,885	30,620	405,505	1.20
2013	608,493	-	608,493	499,845	40,965	540,810	1.13
2012	240,822	-	240,822	-	18,234	18,234	13.21
<b>Higher Education Institutions</b>							
2021	\$ 2,210,602	\$ 586,621	\$ 1,623,981	\$ 84,250	\$ 80,160	\$ 164,410	9.88
2020	2,425,323	673,165	1,752,158	186,477	155,530	342,007	5.12
2019	2,419,403	685,793	1,733,610	132,929	159,090	292,019	5.94
2018	2,290,836	643,503	1,647,333	127,378	161,525	288,903	5.70
2017	2,170,616	618,649	1,551,967	117,118	160,835	277,953	5.58
2016	1,984,082	455,553	1,528,529	103,957	157,999	261,956	5.84
2015	1,250,735	579,200	671,535	107,878	152,923	260,801	2.57
2014	1,170,939	557,627	613,312	94,581	138,121	232,702	2.64
2013	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2012	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17



**COLORADO DEMOGRAPHIC DATA  
Last Ten Fiscal Years**

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ- ment (000)	Unemploy- ment %
2021 est	5,828	1.76%	\$ 392.7	\$ 67,390	107.0%	3,024	5.4%
2020 Revised	5,782	1.75	369.5	63,904	107.27	2,895	7.3
2019 Revised	5,736	1.75	352.2	61,400	109.42	3,062	2.7
2018 Revised	5,672	1.74	335.2	59,097	109.1	2,983	3.0
2017 Revised	5,594	1.72	312.0	55,783	107.6	2,903	2.6
2016 Revised	5,524	1.71	290.7	52,624	105.6	2,797	3.1
2015 Revised	5,438	1.70	284.8	52,372	107.1	2,715	3.8
2014	5,350	1.68	271.3	50,711	107.7	2,662	5.0
2013	5,271	1.67	249.0	47,236	105.3	2,578	6.9
2012	5,186	1.65	236.7	45,637	102.3	2,540	7.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

**COLORADO EMPLOYMENT<sup>1,2</sup>**  
**BY INDUSTRY**  
**Last Ten Fiscal Years**  
(AMOUNTS IN THOUSANDS)

<b>Industry</b>	2021 est	Revised 2020	Revised 2019	Revised 2018	Revised 2017	Revised 2016	Revised 2015	Revised 2014	Revised 2013	Revised 2012
Natural Resources and Mining	22.4	22.0	28.9	28.6	25.8	23.7	30.7	34.1	30.6	30.3
Construction	175.0	175.0	178.8	173.2	163.7	155.3	148.8	142.2	127.5	115.8
Manufacturing	151.6	149.3	150.1	147.5	144.3	142.7	141.0	136.6	132.8	130.9
Transportation, Trade, and Utilities	481.5	466.8	477.4	470.4	461.3	454.0	445.7	432.7	420.2	409.5
Information	73.4	74.5	76.0	75.2	71.9	71.9	70.7	70.3	69.9	69.8
Financial Activities	173.0	170.5	173.9	171.6	168.1	163.9	159.0	153.9	151.0	146.7
Professional and Business Services	436.0	431.6	440.0	423.9	412.8	405.7	398.4	386.6	372.6	356.9
Educational and Health Services	338.8	334.3	347.6	340.7	334.1	325.8	313.3	298.0	285.9	281.8
Leisure and Hospitality	292.6	273.4	344.6	339.7	333.2	323.6	312.8	300.4	289.4	279.7
Other Services	106.5	106.0	113.1	110.9	108.6	107.3	104.2	100.9	97.7	96.0
Government	426.6	433.6	455.3	445.6	436.7	428.1	416.5	407.9	403.2	394.3
<b>Total</b>	<b>2,677.4</b>	<b>2,637.0</b>	<b>2,785.7</b>	<b>2,727.3</b>	<b>2,660.5</b>	<b>2,602.0</b>	<b>2,541.1</b>	<b>2,463.6</b>	<b>2,380.8</b>	<b>2,311.7</b>

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

<sup>1</sup> Provided in lieu of information regarding Colorado's principal employers because employer data could not be obtained.

<sup>2</sup> Excludes nonagricultural self-employed, unpaid family, and domestic workers.

**VALUE OF TOTAL CONSTRUCTION**  
**IN COLORADO BY TYPE**  
**Last Ten Years**  
(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2021 est	\$ 9,317	\$ 4,000	\$ 2,200	\$ 15,517
2020	9,872	4,800	2,100	16,772
Revised 2019	10,643	5,038	2,861	18,542
Revised 2018	11,797	8,140	4,515	24,452
Revised 2017	10,362	6,160	2,975	19,496
Revised 2016	10,179	5,989	2,706	18,873
Revised 2015	8,659	4,991	3,036	16,686
Revised 2014	7,566	4,351	2,439	14,355
2013	7,089	3,610	3,680	14,379
2012	5,368	3,675	3,329	12,372

Source: Department of Census, F.W. Dodge Company, Division of McGraw-Hill, the Colorado Contractors Assoc., and Colorado Business Economic Outlook Committee.

**COLORADO SALES AND  
GROSS FARMING REVENUES  
Last Ten Years**

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2021 est	\$ 116.30	\$ 8.61
2020	110.80	8.53
Revised 2019	99.80	8.71
Revised 2018	96.70	8.30
Revised 2017	91.70	8.25
Revised 2016	87.20	7.62
Revised 2015	83.40	8.92
Revised 2014	79.50	9.18
2013	74.10	8.61
2012	70.70	8.35

Includes only those sales reported on sales tax reports.

Source: Colorado Business Economic Outlook Agricultural Committee

**DEMAND DRIVERS OF THE PRIMARY GOVERNMENT<sup>1</sup>**  
**BY FUNCTIONS/PROGRAMS**  
**Last Ten Years<sup>2</sup>**

	2021	2020	2019	2018	2017
GOVERNMENTAL ACTIVITIES:					
General Government:					
Funds	1,020	901	883	874	848
Employees (calculated Average Employment)	78,990	79,974	78,213	76,578	74,252
Balance in Treasury Pool (in millions)	\$9,358.1	\$9,358.1	\$9,055.2	\$7,763.2	\$6,852.0
Business, Community, and Consumer Affairs:					
Professional Licenses at Regulatory Agencies	972,910	949,632	865,914	853,163	829,350
Unemployment Rate (percent) <sup>4</sup>	5.4	6.7	2.8	3.3	2.7
Employment Level <sup>4</sup>	3,024,476	2,880,890	3,101,412	2,994,752	2,911,079
Education:					
Public Schools	1,875	1,864	1,861	1,889	1,833
Primary School Students		883,199	913,223	911,536	910,280
Health and Rehabilitation:					
Average Daily Population of Mental Health Institutes <sup>3</sup>	Not Available	709	595	581	543
Average Daily Population of Regional Centers <sup>3</sup>	Not Available	235	246	261	260
Justice:					
District Court Cases Filed <sup>3</sup>	Not Available	233,682	216,437	218,413	225,438
County Court Cases Filed <sup>3</sup>	Not Available	413,894	Not available	412,714	425,947
Inmate Admissions	Not Available	Not Available	9,691	9,972	8,851
Inmate Releases	Not Available	Not Available	9,897	9,947	9,844
Average Daily Inmate Population	Not Available	Not Available	20,223	20,003	20,000
Citations Issued by the State Patrol	113,777	128,806	136,086	138,772	141,949
Crashes Covered by the State Patrol	24,947	26,300	29,767	28,964	30,264
Natural Resources:					
Active Oil and Gas Wells <sup>3</sup>	Not Available	52,500	55,000	54,400	54,600
Oil and Gas Drilling Permits <sup>3</sup>	Not Available	7,000	6,200	4,460	4,620
Annual State Park Visitors <sup>3</sup>	Not Available	16,100,000	14,300,000	14,400,000	14,800,000
Water Loans		328	326	318	328
Social Assistance:					
Medicaid Recipients <sup>3</sup>	Not Available	1,292,797	1,350,445	1,420,267	1,385,945
Monthly Cases for Cash Assistance & Subsidy Payments <sup>3</sup>	Not available	Not available	Not available	Not available	Not available
Transportation:					
Lane Miles	Not Available	23,111,433	23,054,349	23,026,130	23,053,073
Bridges	3,466	3,467	3,462	3,451	3,455
BUSINESS-TYPE ACTIVITIES:					
Higher-Education:					
Resident Students <sup>3</sup>	Not Available	143,856	147,705	146,138	142,180
Nonresident Students <sup>3</sup>	Not Available	38,218	37,952	32,884	32,884
Unemployment Insurance:					
Individuals Served - Employment and Training <sup>3</sup>	202,869	493,731	366,130	360,911	425,253
Initial Unemployment Claims <sup>3</sup>	Not Available	504,839	101,599	107,471	129,887
Lottery:					
Scratch Tickets Sold	94,634,346	89,295,642	85,738,142	83,746,578	84,041,528
Lotto Tickets Sold	19,159,180	16,791,434	28,034,842	28,462,945	30,609,106
Powerball Tickets Sold	26,960,528	20,647,247	35,073,981	36,013,750	29,860,519
Other Lottery Tickets Sold	61,337,174	50,733,691	67,466,124	56,312,662	54,533,766
Wildlife:					
Hunting & Fishing Licenses Sold <sup>3</sup>	1,800,000	1,800,000	1,700,000	1,700,000	1,700,000

\*Data not available.

<sup>1</sup>All amounts are counts except where dollars or percentages are indicated.

<sup>2</sup>Data presented by either fiscal year or calendar year based on availability of information.

<sup>3</sup>Data represents estimates from budgetary documents and is not adjusted to actuals.

<sup>4</sup>Data represents annual averages of monthly estimates from Department of Labor and Employment statistical information and is not adjusted to actuals

Source: JBC Budget in Brief and Various State Agencies' Self-Reported Statistical Information.

2016	2015	2014	2013	2012
815	719	638	634	626
72,483	72,369	70,823	68,898	67,871
\$7,413.7	\$7,683.2	\$7,047.8	\$7,106.9	\$6,546.6
813,639	789,643	750,306	729,328	705,205
3.2	3.9	5.0	6.9	7.9
2,803,436	2,719,500	2,662,404	2,577,556	2,539,941
1,853	1,836	1,824	1,823	1,806
905,018	899,112	889,006	876,999	863,561
545	545	486	489	501
266	272	288	305	302
216,970	231,188	289,965	247,696	238,766
430,398	446,255	493,341	505,234	541,439
9,912	9,912	9,620	9,597	9,116
10,269	10,269	10,506	10,506	10,657
20,179	20,678	20,478	20,551	22,009
145,181	140,943	138,661	124,654	137,546
30,542	29,572	28,292	26,600	22,324
52,600	52,300	50,350	47,916	45,300
3,725	4,333	4,300	5,100	4,800
12,300,000	11,699,543	11,556,388	12,461,261	12,651,919
312	294	289	277	281
1,289,795	1,003,612	809,452	687,473	613,148
Not available	63,646	65,208	65,208	66,472
22,984,731	23,018,184	23,018,184	23,021,500	23,023,800
3,427	3,439	3,443	3,438	3,447
145,769	150,073	155,748	159,206	160,944
30,869	29,305	28,580	27,536	26,934
469,274	553,258	552,303	636,977	585,724
152,658	157,161	199,007	228,634	302,418
87,433,955	89,637,387	89,961,317	94,109,256	99,988,581
27,422,320	29,837,628	33,809,181	32,561,865	33,276,914
47,427,269	29,581,783	35,134,907	67,690,312	64,285,665
29,682,863	50,521,072	56,956,625	47,690,502	65,916,303
1,600,000	2,300,000	2,300,000	2,315,000	2,333,000

**AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION  
AND AVERAGE MONTHLY EMPLOYEE SALARY  
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government	3,486	3,437	3,340	3,320	3,238	3,102	3,005	3,092	2,958	3,042
Business, Community, and Consumer Affairs	2,859	2,696	2,723	2,741	2,756	2,451	2,441	2,482	2,420	2,404
Education	47,046	48,469	47,297	45,884	43,762	42,494	42,767	41,501	40,218	39,097
Health and Rehabilitation	4,376	4,232	4,117	4,147	4,122	4,023	4,007	3,990	3,931	3,953
Justice	14,576	14,601	14,380	14,192	14,076	13,974	13,760	13,416	13,123	13,149
Natural Resources	1,650	1,678	1,626	1,611	1,619	1,623	1,599	1,579	1,586	1,597
Social Assistance	1,871	1,794	1,711	1,672	1,661	1,810	1,766	1,731	1,633	1,605
Transportation	3,126	3,067	3,019	3,011	3,018	3,006	3,024	3,032	3,029	3,024
<b>TOTAL AVERAGE EMPLOYMENT</b>	<b>78,990</b>	<b>79,974</b>	<b>78,213</b>	<b>76,578</b>	<b>74,252</b>	<b>72,483</b>	<b>72,369</b>	<b>70,823</b>	<b>68,898</b>	<b>67,871</b>
<b>TOTAL CLASSIFIED</b>	<b>30,586</b>	<b>30,777</b>	<b>30,999</b>	<b>31,133</b>	<b>31,159</b>	<b>31,102</b>	<b>31,246</b>	<b>31,284</b>	<b>31,504</b>	<b>32,449</b>
<b>AVERAGE MONTHLY SALARY</b>	<b>\$ 5,056</b>	<b>\$ 5,049</b>	<b>\$ 4,826</b>	<b>\$ 4,650</b>	<b>\$ 4,554</b>	<b>\$ 4,539</b>	<b>\$ 4,502</b>	<b>\$ 4,391</b>	<b>\$ 4,283</b>	<b>\$ 4,314</b>
<b>TOTAL NON-CLASSIFIED</b>	<b>48,404</b>	<b>49,197</b>	<b>47,214</b>	<b>45,445</b>	<b>43,093</b>	<b>41,381</b>	<b>41,123</b>	<b>39,539</b>	<b>37,394</b>	<b>35,422</b>
<b>AVERAGE MONTHLY SALARY</b>	<b>\$ 7,466</b>	<b>\$ 7,384</b>	<b>\$ 7,181</b>	<b>\$ 6,980</b>	<b>\$ 6,872</b>	<b>\$ 6,691</b>	<b>\$ 6,306</b>	<b>\$ 6,140</b>	<b>\$ 5,953</b>	<b>\$ 5,840</b>

- Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

- For each State agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the average employee count. Average salary was computed as total classified or nonclassified salary divided by related average employee count.

**COLORADO STATE HIGHWAY SYSTEM  
CENTERLINE AND LANE MILES  
LAST TEN FISCAL YEARS**

Mileage Type	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>CenterLine Miles<sup>1</sup></b>										
Urban	1,500	1,500	1,502	1,510	1,510	1,523	1,523	1,385	1,385	1,385
Rural	7,574	7,575	7,575	7,578	7,578	7,580	7,580	7,718	7,720	7,720
<b>TOTAL CENTERLINE MILES</b>	<b>9,074</b>	<b>9,075</b>	<b>9,077</b>	<b>9,088</b>	<b>9,088</b>	<b>9,103</b>	<b>9,103</b>	<b>9,103</b>	<b>9,105</b>	<b>9,105</b>
Percent Change	0.0%	0.0%	-0.1%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Lane Miles<sup>2</sup></b>										
Urban	5,860	5,803	5,789	5,808	5,742	5,771	5,771	5,326	5,330	5,330
Rural	17,250	17,251	17,237	17,245	17,242	17,247	17,247	17,688	17,694	17,693
<b>TOTAL LANE MILES</b>	<b>23,110</b>	<b>23,054</b>	<b>23,026</b>	<b>23,053</b>	<b>22,984</b>	<b>23,018</b>	<b>23,018</b>	<b>23,014</b>	<b>23,024</b>	<b>23,023</b>
Percent Change	0.2%	0.1%	-0.1%	0.3%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.2%
<b>Roadways<sup>3</sup></b>										
Percent Rated Good/Fair			80	79	79	79	79	79	47	48
Percent Rated Poor			20	21	21	21	21	21	53	52
<b>TOTAL PERCENTAGE</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>1</sup>Centerline miles measure roadway miles without accounting for the number of lanes.

<sup>2</sup>Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

<sup>3</sup>In 2013 CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Driveability Life, which identifies how long a pavement will last until the user experience becomes unacceptable.

Source: Department of Transportation

**COLORADO STATE-OWNED BRIDGES  
BY FUNCTIONAL CLASSIFICATION  
LAST TEN FISCAL YEARS**

Functional Classification	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Principal Arterial <sup>1</sup>	1,404	1,408	1,404	1,387	1,390	1,372	1,377	1,114	1,294	1,303
Other Principal Arterial	926	927	925	932	931	930	930	1,199	793	791
Minor Arterial	673	669	668	670	670	666	667	667	747	749
Collector	375	375	377	383	387	383	390	391	443	442
Local	88	88	88	79	77	76	75	72	161	162
<b>TOTAL BRIDGES</b>	<b>3,466</b>	<b>3,467</b>	<b>3,462</b>	<b>3,451</b>	<b>3,455</b>	<b>3,427</b>	<b>3,439</b>	<b>3,443</b>	<b>3,438</b>	<b>3,447</b>
Percent Change	0.0%	0.1%	0.3%	-0.1%	0.8%	-0.3%	-0.1%	0.1%	-0.3%	0.0%
Percent Rated Poor <sup>2</sup>	6.27	6.27	6.32	4.42	4.90	5.60	5.60	5.70	5.90	3.60

<sup>1</sup>Includes Interstate, Expressways, and Freeways.

<sup>2</sup>In 2013 CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges.

Source: Department of Transportation

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>GOVERNMENTAL ACTIVITIES:</b>										
General Government	4,184,192	4,221,513	3,732,465	3,975,641	4,110,351	4,091,577	3,630,949	3,898,443	3,449,893	3,197,325
Business, Community, and Consumer Affairs <sup>1</sup>	1,264,162	1,277,114	1,278,223	1,253,288	1,253,288	1,117,563	1,260,223	1,462,694	1,091,423	980,198
Education	322,302	322,484	322,484	322,484	322,484	322,484	322,484	322,484	327,394	327,394
Health and Rehabilitation	1,472,328	1,453,385	1,463,209	1,463,209	1,463,129	1,443,140	1,439,483	1,371,986	1,407,882	1,522,278
Justice	8,871,568	8,815,718	8,880,526	8,852,530	8,763,302	8,743,419	8,633,069	8,797,346	8,170,861	8,428,687
Natural Resources	812,177	865,529	915,362	788,919	775,567	754,116	677,422	454,150	457,366	321,373
Social Assistance	1,802,173	1,799,516	1,833,377	1,834,497	1,834,815	1,828,335	1,821,873	1,794,333	1,791,521	1,787,266
Transportation	3,699,793	3,681,410	4,445,286	4,057,721	3,450,675	3,652,382	3,589,835	3,373,967	3,362,781	3,278,758
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Higher Education	57,627,649	56,459,587	56,142,470	55,616,419	55,858,696	54,075,080	52,070,593	50,215,173	49,016,072	48,013,242
Parks and Wildlife	1,932,631	1,998,305	1,926,202	2,887,423	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609	2,811,609
<b>TOTAL</b>	<b>81,988,974</b>	<b>80,894,561</b>	<b>80,939,604</b>	<b>81,052,131</b>	<b>80,643,916</b>	<b>78,839,705</b>	<b>76,257,540</b>	<b>74,507,095</b>	<b>71,886,802</b>	<b>70,668,130</b>

Source: Colorado Office of the State Architect

<sup>1</sup> - Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>GOVERNMENTAL ACTIVITIES:</b>										
General Government	125,391	164,104	162,801	175,427	153,470	153,470	161,533	169,970	200,900	226,201
Business, Community, and Consumer Affairs <sup>1</sup>	612,312	612,459	632,311	635,899	640,803	623,742	597,583	604,185	597,182	575,591
Education	54,037	54,037	56,831	54,765	58,819	53,827	51,749	47,926	47,645	39,804
Health and Rehabilitation	500,208	508,207	478,241	470,748	477,717	473,440	498,721	475,010	473,230	465,649
Justice	670,604	617,670	567,155	473,032	525,493	453,320	343,665	412,286	310,551	321,920
Natural Resources	83,037	80,107	77,831	79,055	78,909	74,016	75,134	91,162	78,937	73,375
Social Assistance	103,706	103,706	103,706	96,465	99,256	99,256	110,867	74,451	61,001	51,404
<b>BUSINESS-TYPE ACTIVITIES:</b>										
Higher Education	1,560,761	1,506,511	1,506,925	1,436,583	1,404,972	1,309,490	1,303,315	1,613,516	1,530,285	1,536,160
CollegeInvest	9,126	9,126	9,126	9,126	9,164	9,597	9,642	11,397	11,397	7,517
Lottery	67,560	67,327	67,327	67,327	67,327	67,327	71,104	71,104	71,104	74,104
Parks and Wildlife	19,415	22,969	23,635	70,058	83,036	76,448	76,448	76,448	76,448	79,112
College Assist	9,126	9,126	9,126	9,126	9,396	10,164	10,246	8,825	8,825	8,825
<b>TOTAL</b>	<b>3,815,283</b>	<b>3,755,349</b>	<b>3,695,015</b>	<b>3,577,611</b>	<b>3,608,362</b>	<b>3,404,097</b>	<b>3,310,007</b>	<b>3,656,280</b>	<b>3,467,505</b>	<b>3,459,662</b>

Source: Colorado Office of the State Architect

<sup>1</sup> - Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.



## OTHER COLORADO FACTS

### Important Dates

- 1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.
- 1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.
- 1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.
- 1858 Gold is discovered along Cherry Creek near present day Denver.
- 1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for “colored red.” President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.
- 1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.
- 1870 The Denver Pacific Railroad is completed to Denver.
- 1876 Colorado is admitted to the Union as the 38<sup>th</sup> state. John L. Routt is elected the first governor.
- 1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.
- 1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of \$2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.
- 1906 The U.S. Mint at Denver issues its first coins.
- 1958 The U.S. Air Force Academy’s permanent campus opens near Colorado Springs.
- 1992 TABOR amendment is added to the State Constitution.

### Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

### State Symbols and Emblems

**State Motto** – Nil Sine Numine –  
Nothing Without the Deity

**State 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

**APPENDIX B**  
**Forms of Master Indenture, 2022 Supplemental Indenture,**  
**2022 Lease and 2022 Site Lease**

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After recording return to:  
Michael R. McGinnis  
Greenberg Traurig, LLP  
1144 15th Street, Suite 3300  
Denver, Colorado 80202

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**STATE OF COLORADO  
RURAL COLORADO  
MASTER TRUST INDENTURE**

by

**ZB, NATIONAL ASSOCIATION DBA ZIONS BANK,**  
as Trustee

authorizing

State of Colorado  
Rural Colorado  
Certificates of Participation

Dated as of September 1, 2018

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**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](mailto: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](mailto:bob.jaros@state.co.us); if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: [Jeffrey.sudmeier@state.co.us](mailto: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](mailto: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 Micholls  
Authorized Signatory

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

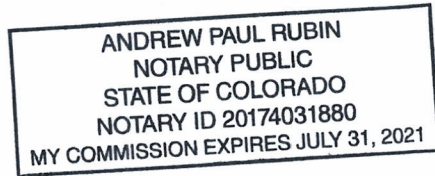
The foregoing instrument was acknowledged before me this 25 day of September, 2018, by Stephanie Nicholls as an authorized signatory of ZB, National Association dba Zions Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

Andrew Paul Rubin  
Notary Public

My commission expires:  
7/31/2021



## 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.

## Attached Legal Description

Parcel A:

Lot 3, Resource Park West, County of Jefferson, State of Colorado.

Parcel B:

Together with Easements over and across Lots 1 and 2, Resource Park West as established by Declaration of Establishment of Protective Covenants, Conditions and Restrictions and Grant of Easements recorded January 24, 1984 as Reception NO. 84007505, County of Jefferson, State of Colorado.

## Attached Legal Description

Lot 2, Resource Park West,  
County of Jefferson, State of Colorado.

## Attached Legal Description

Jefferson County

A tract of land in the long lines subdivision being a portion of the East  $\frac{1}{2}$  of the NE  $\frac{1}{4}$  of the SE  $\frac{1}{4}$  of Section 35, Township 3 South, Range 69 West of the 6<sup>th</sup> Principal Meridian, Jefferson County, Colorado, more particularly described as follows:

Beginning at a point on the West line of Pierce Street that is South  $29^{\circ}26'42''$  West, 80.50 feet from the East  $\frac{1}{4}$  corner of Section 35, Township 3 South, Range 69 West of the 6<sup>th</sup> Principal Meridian, Jefferson County, Colorado;

Thence South  $00^{\circ}21'$  East on Pierce Street, 1,208.46 feet;

Thence on a curve to the right with a central angle of  $90^{\circ}03'55''$  and a radius of 20.00 feet for a distance of 31.44 feet;

Thence South  $89^{\circ}42'55''$  West on the North line of West 17<sup>th</sup> Avenue, 550.68 feet;

Thence on a curve to the right with a central angle of  $90^{\circ}00'05''$  and a radius of 20.00 feet for a distance of 31.42 feet;

Thence North  $00^{\circ}17'$  West, 1,218.82 feet;

Thence on a curve to the right with a central angle of  $90^{\circ}03'05''$  and a radius of 20.00 feet for a distance of 31.43 feet;

Thence North  $89^{\circ}46'05''$  East, 539.30 feet;

Thence on a curve to the right with a central angle of  $89^{\circ}52'55''$  and a radius of 30.00 feet for a distance of 47.06 feet, more or less, to the point of beginning.

County of Jefferson, State of Colorado.

## Attached Legal Description

Jefferson County

### PARCEL 1:

WEST 1/2 NORTHEAST 1/4 OF SECTION 1, TOWNSHIP 4 SOUTH, RANGE 70 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF JEFFERSON, STATE OF COLORADO, EXCEPT ANY PORTION THEREOF LYING WITHIN SOUTH GOLDEN ROAD AND EXCEPT THAT PART CONVEYED TO COUNTY OF JEFFERSON, STATE OF COLORADO, BY DEED RECORDED JUNE 17, 1999 AT [RECEPTION NO. F0891350](#) AND EXCEPT THAT PORTION CONVEYED IN INSTRUMENT RECORDED FEBRUARY 20, 1970 IN [BOOK 2162 AT PAGE 585](#).

### PARCEL 2:

COMMENCING AT A POINT ON THE WEST LINE OF THE EAST HALF OF THE NORTHEAST QUARTER (E 1/2 NE 1/4) OF SECTION ONE TOWNSHIP FOUR SOUTH, RANGE SEVENTY WEST OF THE SIXTH PRINCIPAL MERIDIAN FOUR HUNDRED FORTY SEVEN AND TWO THIRDS (447-2/3) FEET NORTH OF THE SOUTHWEST CORNER THEREOF;  
THENCE NORTH TWO THOUSAND ONE HUNDRED NINETY TWO AND ONE THIRD (N 2192 1/3) FEET, MORE OR LESS ALONG THE WEST LINE THEREOF TO THE NORTHWEST CORNER THEREOF; THENCE EAST ONE HUNDRED FEET (E 100 FEET);  
THENCE SOUTH TWO THOUSAND ONE HUNDRED NINETY TWO AND ONE THIRD FEET (S 2192 1/3) FEET MORE OR LESS TO A POINT ON THE NORTH LINE OF THE COUNTY ROAD;  
THENCE WEST ONE HUNDRED FEET (W 100 FEET) TO THE PLACE OF BEGINNING,  
EXCEPT THAT PART CONVEYED TO COUNTY OF JEFFERSON, STATE OF COLORADO, BY DEED RECORDED JUNE 17, 1999 AT [RECEPTION NO F0891350](#).

### PARCEL 3:

THOSE PORTIONS OF THE EAST 1/2 NORTHEAST 1/4 OF SECTION 1, TOWNSHIP 4 SOUTH, RANGE 70 WEST OF THE 6TH PRINCIPAL MERIDIAN, COUNTY OF JEFFERSON, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

#### PARCEL #3A

COMMENCING AT A POINT ON THE NORTH LINE OF THE COUNTY ROAD AND BEING THE SE CORNER OF A TRACT OF LAND HERETOFORE CONVEYED TO W. Y. SEDAM, BEING 700 FEET NORTH 85 DEGREES 46 MINUTES EAST OF A POINT 447 2/3 FEET NORTH OF THE SW CORNER OF THE E 1/2 OF NE 1/4 OF SECTION 1 TOWNSHIP 4 SOUTH, RANGE 70 WEST;  
THENCE RUNNING NORTH PARALLEL WITH SECTION LINE 726 FEET TO A POINT, BEING THE NE CORNER OF SAID SEDAM TRACT;  
THENCE NORTH 85 DEGREES 46 MINUTES EAST 294 FEET MORE OR LESS TO A POINT WHICH IS THE SE CORNER OF THAT CERTAIN TRACT OF LAND HERETOFORE CONVEYED TO HERMAN PETERS AND BEING 325.3 FEET WEST OF THE EAST LINE OF SAID E 1/2 OF NE 1/4 OF SECTION 1);  
THENCE SOUTH PARALLEL WITH SECTION LINE 847 2/3 FEET TO A POINT WHICH IS 60 FEET NORTH FROM THE CENTER OF TRACK OF THE DENVER LAKEWOOD AND GOLDEN



RAILROAD; THENCE WESTERLY PARALLEL WITH SAD RAILROAD TRACK 420 FEET MORE OR LESS;  
THENCE NORTH PARALLEL WITH SECTION LINE 96 FEET TO A POINT ON THE NORTH LINE OF SAID COUNTY ROAD;  
THENCE NORTH 85 DEGREES 46 MINUTES EAST 108 FEET (IT BEING ALONG SAD NE OF COUNTY ROAD AND SOUTH LINE OF SAID SEDAM TRACT) TO A POINT OF BEGINNING;  
EXCEPT A RIGHT-OF-WAY FOR SAID COUNTY ROAD 60 FEET WIDE ACROSS SAD LAND HEREBY CONVEYED.

PARCEL #3B

COMMENCING AT A POINT 100 FEET NORTH 85 DEGREES 46 MINUTES EAST OF A POINT 447 2/3 FEET NORTH FROM THE SW CORNER OF THE E 1/2 OF THE NE 1/4 OF SECTION 1 TOWNSHIP 4 SOUTH, RANGE 70 WEST; THENCE FROM SAID CORNER NORTH 85 DEGREES 46 SECONDS EAST ALONG NORTH SIDE OF COUNTY ROAD 600 FEET; THENCE NORTH 726 FEET TO A CORNER STAKE IN MOUND OF STONES;  
THENCE SOUTH 85 DEGREES 46 SECONDS WEST 600 FEET TO A CORNER STAKE IN MOUND OF STONES;  
THENCE SOUTH 726 FEET TO THE PLACE OF BEGINNING,  
EXCEPT THAT PAR LYING WITHIN INTERSTATE 70.

COUNTY OF JEFFERSON, STATE OF COLORADO.

## Attached Legal Description

A portion of Parcel A being further described as: Block 26 and 28, all of Block 27, Irving Place and a portion of Blocks 4, 6, 15 and 16, all of Block 5, Adee, Chamberlain and Wiley's Subdivision, together with that portion of the vacated streets and alleys adjacent thereto, as vacated by Ordinance No. 775 recorded December 1, 1908 in Book 320 at Page 519; and a portion of the SE ¼ of Section 26, Township 20 South, Range 65 West of the 6<sup>th</sup> P.M. of the official public records of Pueblo County, Colorado, being more particularly described as follows:

Commencing at the City of Pueblo Range Line Monument found at the intersection of W 18<sup>th</sup> Street and Hood Avenue, thence along said Range Line, S 01°39'39"E (Bearings are based on the Range Line being monumented at the North and by a City of Pueblo Range Line Monument, as a concrete cylinder with lead plug & tack in range box and being monumented at the South end and by a City of Pueblo Range Line Monument, as a concrete cylinder monument with lead plug & tack flush with asphalt and measured to bear N 01°39'39"W) a distance of 1007.45 feet to the City of Pueblo Range Line Monument found at the intersection of W 15<sup>th</sup> Street and Hood Avenue; thence along said Range Line, S 01°39'39"E, a distance of 50.00 feet; thence S 89°29'35"W, a distance of 50.00 feet to the Northeast corner of said Parcel A; thence along the North line of said Parcel A, S 89°29'35"W, a distance of 294.49 feet; thence leaving said North line of said Parcel A, S 00°30'25"E, a distance of 62.49 feet, to the Point of Beginning; thence S 45°30'20"E, a distance of 74.00 feet; thence N 44°29'40"E, a distance of 6.00 feet; thence S 45°30'20"E, a distance of 33.60 feet; thence S 44°29'40"W, a distance of 12.00 feet; thence S 00°30'20"E, a distance of 3.70 feet; thence S 45°30'20"E, a distance of 11.90 feet; thence S 44°29'40"W, a distance of 33.00 feet; thence N 45°30'20"W, a distance of 6.00 feet; thence S 44°29'40"W, a distance of 73.10 feet; thence S 45°30'20"E, a distance of 7.00 feet; thence S 44°29'40"W, a distance of 1.80 feet; thence S 00°30'20"E, a distance of 6.60 feet; thence S 89°29'40"W, a distance of 6.70 feet; thence S 44°29'40"W, a distance of 11.20 feet; thence S 45°30'20"E, a distance of 155.00 feet; thence N 44°29'40"E, a distance of 167.83 feet; thence S 45°30'20"E, a distance of 50.40 feet; thence S 44°29'40"W, a distance of 101.60 feet; thence S 45°30'20"E, a distance of 3.90 feet; thence S 00°30'20"E, a distance of 8.50 feet; thence S 89°29'40"W, a distance of 8.60 feet; thence N 45°30'20"W, a distance of 8.60 feet; thence S 44°29'40"W, a distance of 46.70 feet; thence S 45°30'20"E, a distance of 2.00 feet; thence N 44°29'40"E, a distance of 2.10 feet; thence S 45°30'20"E, a distance of 3.00 feet; S 44°29'40"W, a distance of 7.70 feet; thence S 45°30'20"W, a distance of 6.70 feet; thence N 44°29'40"E, a distance of 2.00 feet; thence S 45°30'20"E, a distance of 4.00 feet; thence S 44°29'40"W, a distance of 22.00 feet; thence N 45°30'20"W, a distance of 4.00 feet; thence N 44°29'40"E, a distance of 2.00 feet; thence N 45°30'20"W, a distance of 6.70 feet; thence S 44°29'40"W, a distance of 7.70 feet; thence N 45°30'20"W, a distance of 3.00 feet; thence N 44°29'40"E, a distance of 2.10 feet; thence N 45°30'20"W, a distance of 2.00 feet; thence S 44°29'40"W, a distance of 30.20 feet; thence S 00°30'20"W, a distance of 35.60 feet; thence S 89°29'40"W, a distance of 35.60 feet; thence N 45°30'20"W, a distance of 4.10 feet; thence S 44°29'40"W, a distance of 8.00 feet; thence N 45°30'20"W, a distance of 10.59 feet; thence N 00°30'20"W, a distance of 40.10 feet; thence N 44°29'40"E, a distance of 3.70 feet; thence N 45°30'20"W, a distance of 9.60 feet; thence S 44°29'40"W, a distance of 32.00 feet; thence N 45°30'20"W, a distance of 147.80 feet; thence S 44°29'40"W, a distance of 6.00 feet; thence N 45°30'20"W, a distance of 39.70 feet; thence N 44°29'40"E, a distance of 12.70 feet; thence N 00°30'20"W, a distance of 5.60 feet; thence N 45°30'20"W, a distance of 12.70 feet; thence N 44°29'40"E, a distance of 39.70 feet; thence S 45°30'20"E, a distance of 6.00 feet; thence N 44°29'40"E, a distance of 46.00 feet; thence N 45°30'20"W, a distance of 6.00 feet; thence N 44°29'40"E, a distance of 12.00 feet; thence N 45°30'20"W, a distance of 57.40 feet; thence S 44°29'40"W, a distance of 6.00 feet; thence N 45°30'20"W, a distance of 33.00 feet; thence N 44°29'40"E, a distance of 12.00 feet; thence N 00°30'20"W, a distance of 3.70 feet; thence N 45°30'20"W, a distance of 12.00 feet; thence N 44°29'40"E, a distance of 33.00 feet; thence S 45°30'20"E, a distance of 6.00 feet; thence N 44°29'40"E, a distance of 74.00 feet; thence S 45°30'20"E, a distance of 12.00 feet; thence N 44°29'40"E, a

distance of 11.40 feet; thence S 45°30'20"E, a distance of 11.30 feet; thence N 44°29'40"E, a distance of 12.00 feet to the Point of Beginning.

## Attached Legal Description

A portion of the SW ¼ of Section 6, Township 19 South, Range 69 West of the Sixth Principal Meridian, being more particularly described as follows:

Commencing at the Southwest corner of said Section 6; thence N 07°16'22" E (Basis of bearings is the South line of the SW ¼ Section 6, Township 19 South, Range 69 West of the Sixth Principal Meridian, monumented on the West end with a U.S.G.L.O. 3 ¼" brass cap in the East side a concrete irrigation diversion box, 8" above grade and monumented on the East end with a 25# rail in a mound of stones, 1 ½ feet above grade and bears S 89°57'40" E at a measured distance of 2533.64 feet), a distance of 1750.37 feet to a point at the building corner of a building complex contained the Administration Building, the Education Building and Cellhouses 6, 7 and 8, as it exists, said point also being the Point of Beginning; thence along the exterior walls of said building complex, the following fifty six (56) courses:

1. Thence N 01°14'16" E, a distance of 44.40 feet;
2. Thence S 88°45'44" E, a distance of 162.30 feet;
3. Thence N 01°14'16" E, a distance of 49.90 feet;
4. Thence S 88°45'44" E, a distance of 23.90 feet;
5. Thence N 01°14'16" E, a distance of 80.00 feet;
6. Thence N 88°45'44" W, a distance of 99.00 feet;
7. Thence S 01°14'16" W, a distance of 80.40 feet;
8. Thence N 88°45'44" W, a distance of 58.50 feet;
9. Thence N 01°14'16" E, a distance of 19.90 feet;
10. Thence N 88°45'44" W, a distance of 14.00 feet;
11. Thence N 01°14'16" E, a distance of 56.60 feet;
12. Thence S 88°45'44" E, a distance of 14.00 feet;
13. Thence N 01°14'16" E, a distance of 70.60 feet;
14. Thence N 88°45'44" W, a distance of 32.80 feet;
15. Thence N 01°14'16" E, a distance of 53.90 feet;
16. Thence S 88°45'44" E, a distance of 200.00 feet;
17. Thence N 01°40'31" E, a distance of 52.40 feet;
18. Thence N 88°45'44" W, a distance of 71.49 feet;
19. Thence N 01°14'16" E, a distance of 147.91 feet;
20. Thence N 88°45'44" W, a distance of 7.80 feet;
21. Thence N 01°14'16" E, a distance of 13.00 feet;
22. Thence S 88°45'44" E, a distance of 8.00 feet;
23. Thence N 01°14'16" E, a distance of 19.50 feet;
24. Thence S 88°45'44" E, a distance of 23.90 feet;
25. Thence N 01°14'16" E, a distance of 20.00 feet;
26. Thence S 88°45'44" E, a distance of 64.00 feet;
27. Thence N 01°14'16" E, a distance of 12.10 feet;
28. Thence S 88°45'44" E, a distance of 40.10 feet;
29. Thence S 01°14'16" W, a distance of 212.00 feet;
30. Thence N 88°45'44" W, a distance of 19.60 feet;
31. Thence S 01°14'16" W, a distance of 11.50 feet;
32. Thence N 88°45'44" W, a distance of 19.50 feet;
33. Thence S 01°14'16" W, a distance of 41.01 feet;
34. Thence S 88°45'44" E, a distance of 91.69 feet;

35. Thence S 01°14'16" W, a distance of 14.00 feet;
36. Thence S 88°45'44" E, a distance of 35.20 feet;
37. Thence S 01°14'16" W, a distance of 73.20 feet;
38. Thence N 88°45'44" W, a distance of 35.20 feet;
39. Thence S 01°14'16" W, a distance of 27.00 feet;
40. Thence S 88°45'44" E, a distance of 35.20 feet;
41. Thence S 01°14'16" W, a distance of 73.20 feet;
42. Thence N 88°45'44" W, a distance of 35.20 feet;
43. Thence S 01°14'16" W, a distance of 14.00 feet;
44. Thence N 88°45'44" W, a distance of 68.00 feet;
45. Thence S 01°14'16" W, a distance of 49.50 feet;
46. Thence S 88°45'44" E, a distance of 162.30 feet;
47. Thence S 01°14'16" W, a distance of 44.40 feet;
48. Thence N 88°45'44" W, a distance of 153.40 feet;
49. Thence S 01°14'16" W, a distance of 8.00 feet;
50. Thence N 88°45'44" W, a distance of 25.40 feet;
51. Thence N 01°14'16" E, a distance of 8.00 feet;
52. Thence N 88°45'44" W, a distance of 32.40 feet;
53. Thence S 01°14'16" W, a distance of 8.00 feet;
54. Thence N 88°45'44" W, a distance of 25.40 feet;
55. Thence N 01°14'16" E, a distance of 8.00 feet;
56. Thence N 88°45'44" W, a distance of 153.30 feet, to the Point of Beginning.

## Attached Legal Description

A portion of the SW ¼ of Section 6, Township 19 South, Range 69 West of the Sixth Principal Meridian and a portion of the SE ¼ of Section 1, Township 19 South, Range 70 West of the Sixth Principal Meridian, being more particularly described as follows:

Commencing at the Southwest corner of said Section 6; thence N 02°32'50" E (Basis of bearings is the South line of the SW ¼ Section 6, Township 19 South, Range 69 West of the Sixth Principal Meridian, monumented on the West end with a U.S.G.L.O. 3 ¼" brass cap in the East side a concrete irrigation diversion box, 8" above grade and monumented on the East end with a 25# rail in a mound of stones, 1 ½ feet above grade and bears S 89°57'40" E at a measured distance of 2533.64 feet), a distance of 1820.79 feet to a point at the building corner of a building complex containing the Food Services Building, the Clinical Building and the Laundry Building, as it exists, said point also being the Point of Beginning; thence along the exterior walls of said building complex the following sixteen (16) courses:

1. Thence N 88°44'56" W, a distance of 59.40 feet;
2. Thence N 01°15'04" E, a distance of 52.00 feet;
3. Thence N 88°44'56" W, a distance of 53.00 feet;
4. Thence S 01°15'04" W, a distance of 51.50 feet;
5. Thence N 88°44'56" W, a distance of 27.90 feet;
6. Thence S 01°15'04" W, a distance of 23.80 feet;
7. Thence N 88°44'56" W, a distance of 59.60 feet;
8. Thence N 01°15'04" E, a distance of 23.00 feet;
9. Thence N 88°44'56" W, a distance of 55.90 feet;
10. Thence N 01°15'04" E, a distance of 38.00 feet;
11. Thence N 88°44'56" W, a distance of 15.10 feet;
12. Thence N 01°15'04" E, a distance of 44.20 feet;
13. Thence S 88°44'56" E, a distance of 15.10 feet;
14. Thence N 01°15'04" E, a distance of 68.40 feet;
15. Thence S 88°44'56" E, a distance of 255.80 feet;
16. Thence S 01°15'04" W, a distance of 150.30 feet to the Point of Beginning.

## Attached Legal Description

Fremont County

### Parcel 1:

A portion of the NW ¼ of Section 31, Township 18 South, Range 69 West of the Sixth Principal Meridian, being more particularly described as follows:

Commencing at the Northwest corner of said Section 31, thence S 35°10'52" E (Basis of bearings is the North line of Section 31, Township 18 South, Range 69 West of the Sixth Principal Meridian, monumented on the both ends with a B.L.M. 3 ¼" brass cap on a 2" pipe, 6" above grade and bears S 88°41'33" E at a measured distance of 5312.31 feet), a distance of 2323.70 feet to a point at the building corner of the Colorado State Penitentiary, as it exists, said point also being the Point of Beginning; thence along the exterior walls of said building the following one hundred and twenty three (123) courses:

1. Thence S 00°14'34" E, a distance of 34.00 feet;
2. Thence S 45°14'34" E, a distance of 6.30 feet;
3. Thence N 89°45'26" E, a distance of 34.00 feet;
4. Thence S 00°14'34" E, a distance of 19.70 feet;
5. Thence S 45°14'34" E, a distance of 13.80 feet;
6. Thence S 44°45'26" W, a distance of 29.30 feet;
7. Thence S 45°14'34" E, a distance of 29.30 feet;
8. Thence S 44°45'26" W, a distance of 13.80 feet;
9. Thence S 00°14'34" E, a distance of 19.70 feet;
10. Thence S 89°45'26" W, a distance of 34.00 feet;
11. Thence S 44°45'26" W, a distance of 6.30 feet;
12. Thence S 00°14'34" E, a distance of 34.00 feet;
13. Thence S 89°45'26" W, a distance of 13.70 feet;
14. Thence S 00°14'34" E, a distance of 21.70 feet;
15. Thence S 45°14'34" E, a distance of 90.50 feet;
16. Thence S 44°45'26" W, a distance of 27.00 feet;
17. Thence N 89°45'26" E, a distance of 20.40 feet;
18. Thence N 00°14'34" W, a distance of 4.90 feet;
19. Thence N 89°45'26" E, a distance of 34.00 feet;
20. Thence N 44°45'26" E, a distance of 6.30 feet;
21. Thence N 00°14'34" W, a distance of 34.00 feet;
22. Thence N 89°45'26" E, a distance of 19.70 feet;
23. Thence N 44°45'26" E, a distance of 13.80 feet;
24. Thence S 45°14'34" E, a distance of 29.30 feet;
25. Thence N 44°45'26" E, a distance of 29.30 feet;
26. Thence S 45°14'34" E, a distance of 13.80 feet;
27. Thence N 89°45'26" E, a distance of 19.70 feet;
28. Thence S 00°14'34" E, a distance of 34.00 feet;
29. Thence S 45°14'34" E, a distance of 6.30 feet;
30. Thence N 89°45'26" E, a distance of 34.00 feet;
31. Thence S 00°14'34" E, a distance of 19.70 feet;
32. Thence S 45°14'34" E, a distance of 13.80 feet;
33. Thence S 44°45'26" W, a distance of 30.10 feet;
34. Thence S 00°14'34" E, a distance of 8.10 feet;

35. Thence S 45°14'34" E, a distance of 30.10 feet;
36. Thence S 44°45'26" W, a distance of 13.80 feet;
37. Thence S 00°14'34" E, a distance of 19.70 feet;
38. Thence S 89°45'26" W, a distance of 34.00 feet;
39. Thence S 44°45'26" W, a distance of 6.30 feet;
40. Thence S 00°14'34" E, a distance of 34.00 feet;
41. Thence S 89°45'26" W, a distance of 19.70 feet;
42. Thence S 44°45'26" W, a distance of 13.80 feet;
43. Thence N 45°14'34" W, a distance of 29.30 feet;
44. Thence S 44°45'26" W, a distance of 29.30 feet;
45. Thence N 45°14'34" W, a distance of 13.80 feet;
46. Thence S 89°45'26" W, a distance of 19.70 feet;
47. Thence N 00°14'34" W, a distance of 34.00 feet;
48. Thence N 45°14'34" W, a distance of 6.30 feet;
49. Thence S 89°45'26" W, a distance of 34.00 feet;
50. Thence N 00°14'34" W, a distance of 13.60 feet;
51. Thence S 89°45'26" W, a distance of 14.49 feet;
52. Thence S 44°45'26" W, a distance of 61.80 feet;
53. Thence S 45°14'34" E, a distance of 22.80 feet;
54. Thence S 44°45'26" W, a distance of 19.10 feet;
55. Thence N 45°14'34" W, a distance of 23.50 feet;
56. Thence S 89°45'26" W, a distance of 6.80 feet;
57. Thence N 45°14'34" W, a distance of 15.40 feet;
58. Thence S 89°45'26" W, a distance of 9.30 feet;
59. Thence S 44°45'26" W, a distance of 12.70 feet;
60. Thence N 45°14'34" W, a distance of 12.70 feet;
61. Thence S 89°45'26" W, a distance of 9.30 feet;
62. Thence S 44°45'26" W, a distance of 15.40 feet;
63. Thence S 89°45'26" W, a distance of 6.80 feet;
64. Thence S 44°45'26" W, a distance of 23.50 feet;
65. Thence N 45°14'34" W, a distance of 19.10 feet;
66. Thence N 44°45'26" E, a distance of 22.80 feet;
67. Thence N 45°14'34" W, a distance of 61.80 feet;
68. Thence S 89°45'26" W, a distance of 11.40 feet;
69. Thence S 00°14'34" E, a distance of 13.60 feet;
70. Thence S 89°45'26" W, a distance of 34.00 feet;
71. Thence S 44°45'26" W, a distance of 6.30 feet;
72. Thence S 00°14'34" E, a distance of 34.00 feet;
73. Thence S 89°45'26" W, a distance of 19.70 feet;
74. Thence S 44°45'26" W, a distance of 13.80 feet;
75. Thence N 45°14'34" W, a distance of 29.30 feet;
76. Thence S 44°45'26" W, a distance of 29.30 feet;
77. Thence N 45°14'34" W, a distance of 13.80 feet;
78. Thence S 89°45'26" W, a distance of 19.70 feet;
79. Thence N 00°14'34" W, a distance of 34.00 feet;
80. Thence N 45°14'34" W, a distance of 6.30 feet;
81. Thence S 89°45'26" W, a distance of 34.00 feet;
82. Thence N 00°14'34" W, a distance of 19.70 feet;
83. Thence N 45°14'34" W, a distance of 13.80 feet;
84. Thence N 44°45'26" E, a distance of 30.10 feet;



85. Thence N 00°14'34" W, a distance of 8.10 feet;
86. Thence N 45°14'34" W, a distance of 30.10 feet;
87. Thence N 44°45'26" E, a distance of 13.80 feet;
88. Thence N 00°14'34" W, a distance of 19.70 feet;
89. Thence N 89°45'26" E, a distance of 34.00 feet;
90. Thence N 44°45'26" E, a distance of 6.30 feet;
91. Thence N 00°14'34" W, a distance of 34.00 feet;
92. Thence N 89°45'26" E, a distance of 19.70 feet;
93. Thence N 44°45'26" E, a distance of 13.80 feet;
94. Thence S 45°14'34" E, a distance of 29.30 feet;
95. Thence N 44°45'26" E, a distance of 29.30 feet;
96. Thence S 45°14'34" E, a distance of 13.80 feet;
97. Thence N 89°45'26" E, a distance of 19.70 feet;
98. Thence S 00°14'34" E, a distance of 34.00 feet;
99. Thence S 45°14'34" E, a distance of 6.30 feet;
100. Thence N 89°45'26" E, a distance of 32.80 feet;
101. Thence N 00°14'34" W, a distance of 26.83 feet;
102. Thence N 45°14'34" W, a distance of 45.90 feet;
103. Thence N 44°45'26" E, a distance of 59.40 feet;
104. Thence N 89°45'26" E, a distance of 43.70 feet;
105. Thence N 00°14'34" W, a distance of 32.60 feet;
106. Thence N 45°14'34" W, a distance of 6.10 feet;
107. Thence N 90°00'00" W, a distance of 34.15 feet;
108. Thence N 00°14'34" W, a distance of 19.70 feet;
109. Thence N 45°14'34" W, a distance of 13.80 feet;
110. Thence N 44°45'26" E, a distance of 29.30 feet;
111. Thence N 45°14'34" W, a distance of 29.30 feet;
112. Thence N 44°45'26" E, a distance of 13.80 feet;
113. Thence N 00°14'34" W, a distance of 19.70 feet;
114. Thence N 89°45'26" E, a distance of 34.00 feet;
115. Thence N 44°45'26" E, a distance of 6.30 feet;
116. Thence N 00°14'34" W, a distance of 34.00 feet;
117. Thence N 89°45'26" E, a distance of 19.70 feet;
118. Thence N 44°45'26" E, a distance of 13.80 feet;
119. Thence S 45°14'34" E, a distance of 30.10 feet;
120. Thence N 89°45'26" E, a distance of 8.10 feet;
121. Thence N 44°45'26" E, a distance of 30.10 feet;
122. Thence S 45°14'34" E, a distance of 13.80 feet;
123. Thence N 89°45'26" E, a distance of 19.70 feet, to the Point of Beginning

## Attached Legal Description

City and County  
of Denver

Lots 12 through 20, inclusive, Block 37, H.C. Brown's Addition in the City and County of Denver, State of Colorado and Lot 20, Block 37, H.C. Brown's Second Addition to Denver, City and County of Denver, State of Colorado.

## Attached Legal Description

That part of the NW1/4 of Section 26, T3S., R.67W., of the 6<sup>th</sup> P.M., City and County of Denver, located within boundaries described as follows:

Commencing at the Southwest corner of said NW1/4;  
Thence Northerly along the West line of said NW1/4 810 feet;  
Thence Easterly parallel with the South line of said NW1/4 50 feet to the Point of Beginning;  
Thence Northerly parallel with the West line of said NW1/4 857.74 feet;  
Thence on a right deflection angle of 95°37'46" a distance of 687.15 feet;  
Thence on a left deflection angle of 27°54'27" a distance of 247.79 feet;  
Thence on a left deflection angle of 62°06'26" a distance of 524.19 feet to the Southerly right of way line of State Highway No. 72;  
Thence on a right deflection angle of 89°59'45" and along said right of way line a distance of 1603.92 to a point 30 feet West of and perpendicular to the East line of said NW1/4;  
Thence on a right deflection angle of 84°10'21" and parallel with the East line of said NW1/4 a distance of 1255.62 feet;  
Thence on a right deflection angle of 90°21'41" and parallel with the South line of said NW1/4 a distance of 2565.42 feet to the True Point of Beginning;

City and County of Denver, State of Colorado.

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**STATE OF COLORADO  
RURAL COLORADO  
SERIES 2022 SUPPLEMENTAL TRUST INDENTURE**

by

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION**  
as Trustee

authorizing

**State of Colorado  
Rural Colorado  
Certificates of Participation  
Series 2022**

Dated as of \_\_\_\_\_ 1, 2022

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PROPERTY SUBJECT TO THE 2022 FINANCED ASSET  
AGREEMENT

**STATE OF COLORADO  
RURAL COLORADO  
SERIES 2022 SUPPLEMENTAL TRUST INDENTURE**

This State of Colorado Rural Colorado Series 2022 Supplemental Trust Indenture (this “Series 2022 Supplemental Indenture”) is dated as of \_\_\_\_ 1, 2022, and is executed and delivered by, Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the “Trustee”). *Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as such Glossary may be further amended, supplemented and restated from time to time.*

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2022 Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2022 Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

**ARTICLE I  
SERIES 2022 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 2022 Supplemental Indenture: State of Colorado Rural Colorado Certificates of Participation, Series 2022.

**Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.**

(a) The aggregate principal amount of the Series 2022 Certificates shall not exceed \$500,000,000.

(b) The Authorized Denominations of the Series 2022 Certificates are \$5,000 and any integral multiple thereof.

(c) The Series 2022 Certificates executed and delivered on the date the Series 2022 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 2022 Certificate executed and delivered upon transfer and exchange of another Series 2022 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 2022 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 2022 Certificate shall bear interest from the date the Series 2022 Certificates are first executed and delivered.

(d) Interest on the Series 2022 Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(e) The Series 2022 Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

<b><u>Maturity Dates (December 15)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
2022		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		

**Section 1.03. Redemption.**

(a) *Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.* The Series 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Certificate and such other Certificate, and no Owner of any such Series 2022 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 2022 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 2022 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 2022 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 2022 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, 20\_\_, at a redemption price equal to the principal amount of the Series 2022 Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

**Section 1.04. Form of Certificates.** The Series 2022 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 2022 Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

## **ARTICLE II SEPARATE ACCOUNTS AND SUBACCOUNTS**

**Section 2.01. Creation of Separate Accounts and Subaccounts.** The Trustee shall create separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to the Series 2022 Certificates, the proceeds of the Series 2022 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 2022 designation. The following are the separate accounts and subaccounts to be created:

- (a) a separate subaccount of the Transportation Project Account;
- (b) separate accounts of the State Expense Fund and the Rebate Fund; and
- (c) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

**Section 2.02. Additional Subaccounts.** To the extent any proceeds of the Series 2022 Certificates are to be used for State Building Projects, the Trustee shall create a separate subaccount of the State Building Project Account for such proceeds. In order to account for Lease Revenues paid by the State and paid by CDOT, the Trustee may establish subaccounts within the subaccount of the Interest Account for the Series 2022 Certificates and the subaccount of the Principal Account for the Series 2022 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 2022 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 2022 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 2022 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 2022 Supplemental Indenture. For purposes of this Series 2022 Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2022 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 2022 Supplemental Indenture. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Series 2022 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 2022 Lease is set forth in Appendix B hereto. If the land included in the Leased Property subject to the 2022 Lease is modified pursuant to the terms of the 2022 Lease or other land is substituted for land included in the Leased Property subject to the 2022 Lease pursuant to the terms of the 2022 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 2022 Lease after such modification or substitution.

**Section 4.04. Execution in Counterparts.** This Series 2022 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 2022 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 2022 Supplemental Indenture.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2022 Supplemental Indenture as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Trustee

By \_\_\_\_\_  
Vice President – Zions Bank Division

STATE OF COLORADO )  
 ) ss.  
CITY AND COUNTY OF DENVER )

The foregoing instrument was acknowledged before me this \_\_\_ day of \_\_\_\_\_, 2022 by Stephanie Nicholls, as an authorized signatory of Zions Bancorporation, National Association.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires: July 31, 2022

\_\_\_\_\_

**APPENDIX A**

**FORM OF SERIES 2022 CERTIFICATE**

*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Trustee or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner thereof, Cede & Co., has an interest herein.*

No. R-\_\_\_\_\_ \$ \_\_\_\_\_

**STATE OF COLORADO  
RURAL COLORADO  
CERTIFICATE OF PARTICIPATION  
SERIES 2022**

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Delivery Date</b>	<b>CUSIP</b>
%	December 15, 20__	_____, 2022	196711 ____

REGISTERED OWNER: **\*\*CEDE & CO.\*\***

PRINCIPAL SUM: **\*\*** \_\_\_\_\_ **\*\***

THIS CERTIFIES THAT the registered owner specified above, or registered assigns, has an undivided interest in rights to receive certain amounts payable by the State of Colorado (the “State”) under the State of Colorado Rural Colorado Series 2018A Lease Purchase Agreement dated September 1, 2018, the State of Colorado Rural Colorado Series 2020A Lease Purchase Agreement dated June 1, 2020, the State of Colorado Rural Colorado Series 2021A Lease Purchase Agreement dated June 1, 2021, the State of Colorado Rural Colorado Series 2022 Lease Purchase Agreement dated \_\_\_\_\_ 1, 2022 and any other Rural Colorado Lease Purchase Agreement or Financed Asset Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the “Leases”) by and between Zions Bancorporation, National Association, formerly known as ZB, National Association dba Zions Bank, Denver, Colorado, in its capacity as trustee under the Indenture (the “Trustee”), as lessor, and the State, acting by and through the State Treasurer, as lessee. The interest of the registered owner of this certificate is secured as provided in the Rural Colorado Master Trust Indenture dated as of September 1, 2018 (the “Master Indenture”) by the Trustee, as amended and supplemented by the State of Colorado Rural Colorado Series 2018A Supplemental Indenture dated as of September 1, 2018 (the “Series 2018A Supplemental Indenture”), the State of Colorado Rural Colorado Series 2020A Supplemental Indenture dated as of June 1, 2020 (the “Series 2020A Supplemental Indenture”), the State of Colorado Rural Colorado Series 2021 Supplemental Indenture dated as of June 1, 2021 (the “Series 2021A Supplemental Indenture”), and the State of Colorado Rural

Colorado Series 2022 Supplemental Indenture dated as of \_\_\_\_ 1, 2022 (the “Series 2022 Supplemental Indenture”). The Master Indenture, as amended and supplemented by the Series 2018A Supplemental Indenture, the Series 2020 Supplemental Indenture, the Series 2021 Supplemental Indenture and the Series 2022 Supplemental Indenture, is referred to herein as the “Indenture”. Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the Leases have been placed in trust for the benefit of the registered owners (the “Owners”) of the State of Colorado Rural Colorado Certificates of Participation Series 2022 (the “Series 2022 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, 2022 (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 2022 Certificates**

***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default.*** The Series 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Certificate and such other Certificate, and no Owner of any such Series 2022 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 2022 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 2022 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 2022 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 2022 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, 2031, at a redemption price equal to the principal amount of the Series 2022 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 2022 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 2022 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 2022 Certificates called for redemption, which moneys are or will be available for redemption of Series 2022 Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

## **Supplements to Indenture**

The Indenture permits supplements to the Indenture by the Trustee with the approval of the State and the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Trustee to execute supplements to the Indenture with the consent of the State but without the consent of the Owners of the Certificates for certain purposes, including, without limitation, the execution and delivery of additional Series of Certificates.

### **Amendments of Leases and Site Leases**

The Indenture permits amendments to the Leases or the Site Leases with the approval of the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting amendments to the Leases or the Site Leases without the consent of the Owners of the Certificates for certain purposes, including without limitation, the execution and delivery of additional Series of Certificates.

### **Additional Certificates**

The Master Indenture permits the execution and delivery of additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Series of Certificates.

### **Miscellaneous**

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THIS CERTIFICATE AND THE TRUSTEE. THIS CERTIFICATE IS ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, IS SUBJECT IN ALL RESPECTS TO THE TERMS OF THE INDENTURE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THIS CERTIFICATE.

No provision of the Certificates, the Indenture, any Lease, or any other document or instrument shall be construed or interpreted (a) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.



This certificate is issued with the intent that the laws of the State of Colorado shall govern its legality, validity, enforceability and construction.

This certificate shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture, unless it shall have been manually signed on behalf of the Trustee.

IN WITNESS WHEREOF, this certificate has been executed with the manual signature of an authorized signatory of the Trustee as of the date specified above.

ZIONS BANCORPORATION,  
NATIONAL ASSOCIATION, as Trustee

By \_\_\_\_\_  
Vice President – Zions Bank Division

**ASSIGNMENT**

(The Trustee may require the payment, by the Owner of any certificate requesting transfer, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such transfer.)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within certificate on the records kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by a Member of a Medallion Signature Program:

\_\_\_\_\_

Address of transferee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Social Security or other tax identification number of transferee:

\_\_\_\_\_

**APPENDIX B**

**LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY  
SUBJECT TO THE 2022 LEASE PURCHASE AGREEMENT**

[END OF DOCUMENT]

After recording return to:  
Michael R. McGinnis  
Greenberg Traurig, LLP  
1144 15<sup>th</sup> Street, Suite 3300  
Denver, Colorado 80202

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**STATE OF COLORADO  
RURAL COLORADO  
SERIES 2022 LEASE PURCHASE AGREEMENT**

by and between

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,  
solely in its capacity as Trustee under the Indenture identified herein,  
as lessor**

and

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

Dated as of \_\_\_\_\_ 1, 2022

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**STATE OF COLORADO  
RURAL COLORADO  
SERIES 2022 LEASE PURCHASE AGREEMENT**

This State of Colorado Rural Colorado Series 2022 Lease Purchase Agreement (this “Agreement”) is dated as of \_\_\_\_\_ 1, 2022 and is entered into by and between Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the “Trustee”), as lessor, and the State of Colorado, acting by and through the State Treasurer (the “State”), as lessee. *Capitalized terms used but not defined in this Agreement have the meanings assigned to them in the Glossary attached to the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018, as such Glossary may be amended, supplemented and restated from time to time.*

RECITALS

A. The State Treasurer, on behalf of the State, is authorized by the Act to enter into one or more lease purchase or financed asset agreements with, among other entities, a commercial bank as trustee to finance the projects permitted under the Act, and accordingly entered into the Series 2018A Lease Purchase Agreement, the Series 2020A Lease Purchase Agreement and the Series 2021A Lease Purchase Agreement, in each case on behalf of the State, and now desires to enter into this Series 2022 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 Agreement, which is an authorized agreement under the Act, with the Trustee, which is a commercial bank.

C. Certificates have been and will be issued by the Trustee pursuant to the Indenture. Proceeds of the Certificates will be used pursuant to the terms of the Indenture to finance all or a portion of the costs of the Projects. The first Series of Certificates issued pursuant to the Indenture were the Series 2018A Certificates, the proceeds of which are being used to finance certain Projects, the second Series of Certificates issued pursuant to the Indenture were the Series 2020A Certificates, the proceeds of which have been or are being used to finance certain other Projects, the third Series of Certificates issued pursuant to the Indenture were the Series 2021A Certificates, the proceeds of which have been or are being used to finance certain other Projects and the fourth Series of Certificates to be issued pursuant to the Indenture are the Series 2022 Certificates, the proceeds of which will be used to finance certain additional Projects.

D. The State has determined and hereby determines that (i) this Agreement constitutes a “Financed Purchase of an Asset Agreement” as defined in § 24-82-801(4), C.R.S., and as such shall be accounted for by the State Controller as a financed purchase of assets in accordance with Government Accounting Standards Board Statement No. 87, “Leases”; and (ii) it is in the best interests of the State to enter into this Agreement and lease the Leased Property from the Trustee.



## 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 Agreement 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 2022 Certificates is a permitted project under the Act.

(b) Except as provided below in subsection (c), the maximum total amount of annual Agreement payments payable by the State and by CDOT during any Fiscal Year under the Agreements, shall not exceed \$150 million and shall be allocated as follows:

(i) \$9 million in each Fiscal Year from the State General Fund, or any other available source of money, for State Building Projects;

(ii) \$50 million from CDOT in each Fiscal Year for Transportation Projects; and

(iii) the remainder of the amount needed in each Fiscal Year from the State General Fund, or any other legally available source of money.

(c) To the extent the Act is changed at any time to increase the maximum total amount of annual Agreement payments during any Fiscal Year under the Agreements or change the amounts allocated between the State General Fund and CDOT, the provisions set forth above in subsection (b) shall be changed to reflect such increase and new allocation amounts under the provisions of the Act without any further action to be taken hereunder by the State and the Trustee.

(d) The State will not enter into any lease purchase agreements or financed asset agreements that will cause annual lease payments to be made by the State and CDOT during any Fiscal unless the Act is amended to permit such agreements and annual lease payments.

(e) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Agreement which has a term of no more than twenty (20) years, in accordance with the Act.

(f) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Agreement and for the financing of the Projects pursuant to this Agreement and the Indenture.

(g) This Agreement has been duly executed and delivered by the State and is a valid and binding obligation enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(h) The execution, delivery and performance of this Agreement 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 Agreement, the Indenture, and the Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(i) 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 Agreement.

(j) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Agreement beyond such Fiscal Year, (ii) not to exercise its right to terminate this Agreement 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 2022 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 Agreement governing the use of the Leased Property.

(k) The State presently intends and expects to continue this Agreement annually until title to the Leased Property is acquired by the State pursuant to this Agreement; but this representation does not obligate or otherwise bind the State.

(l) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(m) The State has appropriated sufficient money from the General Fund to pay (i) the Base Rent payable in the current Fiscal Year that it does not anticipate CDOT to pay, and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(n) The certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2022 Certificates are hereby incorporated in the Agreement as if set forth in full in this subsection.

(o) If any portion of the Act affecting the validity and enforceability of the Site Lease and the 2022 Agreement or the source of payment for principal of and interest on the Series 2022 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 2022 Agreement to remain valid and enforceable and for the principal of and interest on the Series 2022 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 Agreement) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Agreement) to the State in accordance with the terms of this Agreement, subject only to Permitted Encumbrances, to have and to hold for the Lease Term. [The State and the Trustee hereby acknowledge that no ALTA/NSPS Land Title Survey was delivered and certified by a Colorado Registered Professional Land Surveyor in connection with a portion of the Leased Property used by \_\_\_\_\_ and located at \_\_\_\_\_, Colorado (the "\_\_\_\_\_ Property") as of the date of this Agreement, and accordingly the title insurance policy with respect to the \_\_\_\_\_ Property has been or will be issued subject to standard survey exceptions. In order to address such survey exceptions, the State shall either (a) take such action necessary to have a certified ALTA/NSPS Land Title Survey delivered by a Colorado Registered Professional Land Surveyor with respect to the \_\_\_\_\_ Property so that a new title insurance policy, or an amendment of, or an endorsement or supplement to the previously issued title insurance policy containing extended survey coverage (subject to any matters disclosed in the survey) is provided with respect to the \_\_\_\_\_ Property which is reasonably acceptable to the State, or (b) by no later than \_\_\_\_\_, 2022, there is provided substitute property for the \_\_\_\_\_ Property in accordance with the provisions of Section 6.05 hereof.]

**Section 2.02. Enjoyment of Leased Property.** The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Agreement.

### ARTICLE III

#### LEASE TERM; TERMINATION OF AGREEMENT

**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 the Leased Property by the State pursuant to Section 7.01 hereof; or

(iv) termination of this Agreement 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; and

(ii) 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 2022 Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, shall be deposited into the Principal Account.

**Section 4.02. Additional Rent.** The State shall, subject only to Sections 5.01(b) and 6.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

**Section 4.03. Unconditional Obligations.** The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 5.01(b) and 6.02(b) hereof, and the other Sections of this Article, including, without limitation, Sections 4.04 and 4.05 hereof and Section 12.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

**Section 4.04. Event of Nonappropriation.**

(a) (i) The officer of the State who is responsible for formulating budget proposals with respect to payment of the State's portion of Rent is hereby directed (A) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term and (B) to include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the amount of Base Rent scheduled to be paid from the State's General Fund, or any other legally available source of money, not to exceed the amount set forth in Section 1.02(b)(i) and (iii) hereof and the Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the State that any decision to continue or to terminate this Agreement shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State, and (ii) the officer of CDOT who is responsible for formulating budget proposals with respect to payment of CDOT's portion of Rent shall include in each annual budget proposal submitted to the Transportation Commission during the Lease Term the amount of Base Rent scheduled to be paid from the Transportation Commission's budget not to exceed the amounts set forth in Section 1.02(b)(ii) hereof.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any

Fiscal Year if the Colorado General Assembly and CDOT have, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year (i) the Colorado General Assembly and CDOT have appropriated amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section, and (ii) the State and CDOT have paid all Rent due during the period from June 30 through the date of such appropriation.

(d) If the State shall determine to exercise its annual right to terminate this Agreement 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 Agreement 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 Agreement 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 Agreement 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 Agreement, the sole security available to the Trustee, as lessor under this Agreement, shall be the Leased Property.

(b) The State's obligations under the Agreement shall be subject to the State's annual right to terminate this Agreement upon the occurrence of an Event of Nonappropriation.

(c) The Certificates evidence undivided interests in the right to receive Agreement Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Agreement, 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 Agreement 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 Agreement 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 Agreement: (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 Lease and this Agreement, 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 Agreement 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 Agreement 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 Agreement.

**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 Agreement 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 AGREEMENT TERM

**Section 7.01. State's Option to Purchase All Leased Property in Connection with Defeasance of Series 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Certificates; and (B) if any Series 2022 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 2022 Certificates shall be substituted for the Series 2022 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 Agreement, 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 Agreement, 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 Agreement, 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 Agreement have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Agreement have been paid, the Leased Property that remains subject to this Agreement 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 Agreement 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 Agreement.

**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 Agreement.

(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 Agreement, 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 2022 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 Agreement, the Indenture, the Certificates, and the Site Lease or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the

Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule agreed to by the Trustee and the State. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission, that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

**Section 8.06. Payments to Rebate Fund; Rebate Calculations.** The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

**Section 8.07. Investment of Funds.** By authorizing the execution and delivery of this Agreement, 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 Agreement 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 Agreement, 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 Agreement:

(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 Agreement 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 Agreement 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 Agreement, 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 Agreement 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 AGREEMENT 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 Agreement (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 Agreement. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Agreement 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 Agreement.

**Section 11.02. Transfer of the State's Interest in Agreement and Leased Property Prohibited.**

(a) Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 6.05 with respect to substitutions of other property for Leased Property and subsection (b) of this Section with respect to transfers of the Leased Property following termination of this Agreement 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 Agreement 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 Agreement 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 Agreement 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 Agreement 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 Agreement.

**Section 12.02. Interpretation and Construction.** This Agreement and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Agreement. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Agreement to designated “Articles,” “Sections,” “subsections,” “paragraphs,” “clauses” and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Agreement. The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term “money” includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and each of the words “to” and “until” means “to but excluding.”

**Section 12.03. Acknowledgement of Indenture.** The State has received a copy of, and acknowledges the terms of, the Indenture.

**Section 12.04. Trustee and State Representatives.** Whenever under the provisions hereof the approval of the Trustee or the State is required, or the Trustee or the State is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for the State by the State Representative and the Trustee and the State shall be authorized to act on any such approval or request.

**Section 12.05. Manner of Giving Notices.** All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first

class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 1525 Sherman Street, 5<sup>th</sup> Floor Denver, Colorado 80202, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us; if to CDOT, to CFO, facsimile number: 303-757-9656, electronic mail address: Jeffrey.sudmeier@state.co.us; and if to the Trustee, to Zions Bancorporation, National Association, 1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 12.06. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Agreement 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 Agreement 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 Agreement 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 Agreements.

**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 Agreement 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 Agreement.

**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 Agreement is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Agreement is modified pursuant to the terms of this Agreement or other land is substituted for land included in the Leased Property subject to this Agreement pursuant to the terms of this Agreement, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Agreement 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 Agreement or the Site Lease and that none of the

execution and delivery of this Agreement 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 Agreement or any Site Lease shall operate to terminate or extinguish this Agreement or the Site Lease.

**Section 12.11. Severability.** In the event that any provision of this Agreement, 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 Agreement.

**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 Agreement. Any provision of this Agreement, 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 Agreement to the extent that this Agreement is capable of execution. At all times during the performance of this Agreement, 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 Agreement 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 Agreement 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 Agreement 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 Agreement as of the date first above written.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture

By \_\_\_\_\_  
Vice President – Zions Bank Division

STATE OF COLORADO  
Jared S. Polis, Governor

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

By \_\_\_\_\_  
David L. Young, Treasurer

APPROVALS:

ATTORNEY GENERAL  
PHILIP J. WEISER

STATE CONTROLLER  
ROBERT JAROS, MBA, CPA, JD

By \_\_\_\_\_  
Lori Ann Knutson, First Assistant Attorney General

By \_\_\_\_\_  
Robert Jaros, State Controller

STATE OF COLORADO  
JARED S. POLIS, GOVERNOR  
DEPARTMENT OF PERSONNEL & ADMINISTRATION  
OFFICE OF STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By \_\_\_\_\_  
Brandon Ates, Real Estate Program Manager







EXHIBIT A

LEGAL DESCRIPTION OF LAND

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>
12/12/2022		
6/12/2023		
12/12/2023		
6/12/2024		
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12/12/2039		
06/12/2040		
12/12/2040		

After recording return to:  
Michael R. McGinnis  
Greenberg Traurig, LLP  
1144 15<sup>th</sup> Street, Suite 3300  
Denver, Colorado 80202

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**SITE LEASE**

by and between

**STATE OF COLORADO,**  
as Site Lessor

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,**  
**solely in its capacity as Trustee under the Indenture identified herein,**  
as site lessee

Dated as of \_\_\_\_\_ 1, 2022

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**STATE OF COLORADO  
RURAL COLORADO  
SERIES 2022 SITE LEASE**

This State of Colorado Rural Colorado Site Lease (this “Site Lease”) is dated as of \_\_\_\_\_ 1, 2022 and is entered into by and between the State of Colorado (the “State”), as lessor, and Zions Bancorporation, National Association, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the “Trustee”), as lessee. *Capitalized terms used but not defined in this Site Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Rural Colorado Master Trust Indenture dated as of September 1, 2018 (“Master Indenture”), as such Glossary may be amended, supplemented and restated from time to time.*

RECITALS

A. The State owns the land described in Exhibit A attached hereto (the “Land”) and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the “Leased Property”).

B. The State is authorized by the Act to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease.

C. The State desires to finance improvements to certain transportation projects (the “Project”), pursuant to the Act; and

D. In order to finance the costs of the Project, the State desires to demise to the Trustee, pursuant to this Site Lease, a leasehold interest in the Leased Property for good and valuable consideration, and sublease the Leased Property back from the Trustee pursuant to that certain Series 2022 Lease Purchase Agreement dated as of the date of this Site Lease (the “2022 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 2022 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 2022 (the “Series 2022 Certificates”), evidencing undivided interests in the right to receive certain revenues payable by the State under the 2022 Lease (the “Series 2022 Certificates”); and

F. The State has determined that the lease of the Leased Property to the Trustee pursuant to this Site Lease is in the best interests of the State and its residents.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:



**ARTICLE I**  
**CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS**

**Section 1.01. Representations, Covenants and Warranties by Trustee.** The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

**Section 1.02. Certifications, Representations and Agreements by State.** The State certifies, represents and agrees that:

(a) The State is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(b) The execution, delivery and performance of this Site Lease have been duly authorized by the State.

(c) The State has received all approvals and consents required for its execution, delivery and performance of its obligations under this Site Lease.

(d) This Site Lease has been duly executed and delivered by the State and is enforceable against the State in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

(e) The execution, delivery and performance of this Site Lease does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2022 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) 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, 2052;

(ii) the purchase and conveyance of all the Leased Property subject to the 2022 Lease by the State pursuant to Section 7.01 of the 2022 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 2022 Lease; provided that upon the occurrence of an Event of Nonappropriation or an Event of Default under the 2022 Lease or Event of Default under the Indenture, the State shall vacate the Leased Property as provided in the 2022 Lease, the Trustee may exercise the remedies provided in the 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2022 Lease.

**Section 6.05. Substitution of Other Property for Leased Property.** If the State substitutes other real property under the 2022 Lease for any portion of the State's Leased Property, the property so substituted under the 2022 Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

**Section 6.06. Property Damage, Defect or Title Event.** If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 6.06 of the 2022 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 2022 Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2022 Lease, if the Trustee incurs any such costs. If (a) the 2022 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 2022 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 2022 Lease.** The Trustee hereby acknowledges the terms of the 2022 Lease.

**Section 12.04. Trustee and State Representatives.** Whenever under the provisions hereof, the approval of the Trustee or the State is required, or the Trustee or the State is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative and for the State by the State Representative.

**Section 12.05. Manner of Giving Notices.** All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Trustee, to Zions Bancorporation, National Association,



1001 Seventeenth Street, Suite 850, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 855-547-6178, electronic mail address: denvercorporatetrust@zionsbancorp.com; and if to the State, to the Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: COO/CFO, facsimile number: 303-866-2123, electronic mail address: Charles.scheibe@state.co.us, with a copy to Colorado State Controller, 1525 Sherman Street, 5<sup>th</sup> Floor, Denver, Colorado 80203, Attention: Robert Jaros, facsimile number: 303-866-4233, electronic mail address: bob.jaros@state.co.us. Any notice party may, by written notice to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 12.06. No Individual Liability.** All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

**Section 12.07. Amendments, Changes and Modifications.** Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

**Section 12.08. Events Occurring on Days that are not Business Days.** If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

**Section 12.09. Legal Description of Land Included in Leased Property.** The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

**Section 12.10. Merger.** The State and the Trustee intend that the legal doctrine of merger shall have no application to this Site Lease or the 2022 Lease and that none of the execution and delivery of this Site Lease by the State and the Trustee and the 2022 Lease by the

Trustee and the State or the exercise of any remedies by any party under this Site Lease or the 2022 Lease shall operate to terminate or extinguish this Site Lease or the 2022 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 \$ \_\_\_\_\_.

[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.

ZIONS BANCORPORATION, NATIONAL ASSOCIATION, solely in its capacity as trustee under the Indenture

By \_\_\_\_\_  
Vice President – Zions Bank Division

STATE OF COLORADO  
Jared S. Polis, Governor

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

By \_\_\_\_\_  
David L. Young, Treasurer

APPROVALS:

ATTORNEY GENERAL  
PHILIP J. WEISER

STATE CONTROLLER  
ROBERT JAROS, MBA, CPA, JD

By \_\_\_\_\_  
Lori Ann Knutson, First Assistant Attorney General

By \_\_\_\_\_  
Robert Jaros, State Controller

STATE OF COLORADO  
JARED S. POLIS, GOVERNOR  
DEPARTMENT OF PERSONNEL & ADMINISTRATION  
OFFICE OF STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By \_\_\_\_\_  
Brandon Ates, Real Estate Program Manager





EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

**APPENDIX C**  
**Form of Continuing Disclosure Undertaking**

This Continuing Disclosure Undertaking (the “**Disclosure Certificate**”) is executed and delivered by the State of Colorado (the “**State**”), acting by and through the Department of the Treasury, in connection with the execution and delivery of the captioned Certificates of Participation (the “**Certificates**”) evidencing assignments of proportionate interests in the right to receive certain payments payable under (a) the annually renewable State of Colorado, Rural Colorado, Series 2022 Lease Purchase Agreement, dated as of June 15, 2022, entered into by and between ZB, National Association dba Zions Bancorporation, National Association, as trustee (the “**Trustee**”) under the State of Colorado, Rural Colorado, Master Trust Indenture dated September 1, 2018 (as amended and supplemented from time to time, the “**Indenture**”), as lessor, and the State, acting by and through the State Treasurer, as lessee, and (b) any other lease entered into by and between the Trustee, as lessor, and the State, as lessee, pursuant to the Indenture. The Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under **Appendix E** – “THE STATE GENERAL FUND,” **Appendix F** – “SELECTED CDOT FINANCIAL INFORMATION,” **Appendix H** – “LEASED PROPERTY” and **Appendix J** – “STATE PENSION SYSTEM.”

“Audited Financial Statements” means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles as applicable to governmental entities as in effect from time to time, audited by the State Auditor.

“Events” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board. As of the date hereof, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

“Owner of the Certificates” means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

“Rule 15c2-12” shall mean Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2023, 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).<sup>1</sup>

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation<sup>2</sup> of the State or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the State or obligated person, any of which affect the Owners of the Certificates, if material.

16. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of the Financial Obligation of the State or obligated person, any of which reflect financial difficulties.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under subsection (a)(2)(7),(8), with respect to calls but not tender offers, (10), (13) or (14) would constitute material information for Owners of the Certificates.

(c) At any time the Certificates are outstanding, the State shall provide, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

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<sup>1</sup> 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

<sup>2</sup> "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

SECTION 5. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 6. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the State shall no longer constitute an “obligated person” with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the State, including by an opinion of an attorney or firm of attorneys experienced in federal securities law selected by the State. The State shall file a notice of any such termination with the MSRB.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the State to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 9. Default and Enforcement. If the State fails to comply with any provision of this Disclosure Certificate, any Owner of the Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days’ prior written notice to the State Treasurer of the State’s failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY

WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and Owners from time to time of the Certificates and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the State has caused this Continuing Disclosure Undertaking to be executed effective as of June 15, 2022.

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

By: \_\_\_\_\_  
State Treasurer

**APPENDIX D**  
**Form of Bond Counsel Opinion**

June 15, 2022

State of Colorado,  
acting by and through the State Treasurer

Zions Bancorporation, National Association  
as Trustee

**\$500,000,000**  
**State of Colorado**  
**Rural Colorado Certificates of Participation,**  
**Series 2022**

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 2022 (the “Certificates”). The Certificates are being executed and delivered pursuant to part 13 of article 82 of title 24, Colorado Revised Statutes, as amended, the Master Trust Indenture dated as of September 1, 2018 (the “Master Indenture”) by Zions Bancorporation, National Association, as Trustee thereunder (the “Trustee”), and the Series 2020A Supplemental Trust Indenture dated as of June 1, 2022 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 2022 Lease Purchase Agreement dated as of June 1, 2022 (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 June 1, 2022 (the “Site Lease”) by and between the State, as lessor, and the Trustee, as lessee; the Arbitrage and Tax Certificate executed and delivered by the State Treasurer of the State of Colorado (the “State Treasurer”) in connection with the execution and delivery of the Certificates; the Constitution and the laws of the State of Colorado; the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, rulings and judicial decisions relevant to the opinions set forth herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Site Lease, the Lease, the Indenture and the Certificates, have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State of Colorado in connection with the execution and delivery of the Certificates with respect to the authorization, execution and delivery of the Site Lease and the Lease, the enforceability of the Site Lease against the State (but not the enforceability of the Lease) and other matters, and have assumed that the State, the Trustee and other parties will comply with, and perform their obligations in accordance with, the Lease, the Indenture and the Site Lease.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the Lease.
2. The Lease has been duly authorized, executed and delivered by the State and is the legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.
3. The Certificates evidence legal, valid and binding undivided interests in the right to receive certain payments, as provided in the Certificates and the Indenture, from the Base Rent payable by the State and CDOT under the Lease, as provided in the Lease.
4. Under existing laws, regulations, rulings and judicial decisions on the date hereof, the portion of the Base Rent paid by the State and CDOT and which is designated and paid as interest on the Certificates, as provided in the Lease, and received by the Owners of the Certificates (the "Interest Portion"), is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals.
5. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, for any period during which the Interest Portion is not included in gross income for federal income tax purposes, the Interest Portion is excludable from taxable income for purposes of the State of Colorado income tax and the State of Colorado alternative minimum tax.

The opinions set forth in subparagraphs 4 and 5 above assume the accuracy of certain representations by the State and are subject to continuing compliance by the State with certain requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal and State of Colorado income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issue of the Certificates. The State has covenanted in the Arbitrage and Tax Certificate to comply with such requirements. Furthermore, no opinion is expressed herein with respect to the federal income tax consequences of any payments received with respect to the Certificates following the termination of the Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

The rights of the Owners of the Certificates and the enforceability of the Certificates and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise of judicial discretion, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

This opinion is limited to the matters specifically set forth herein and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to: the enforceability of the Site Lease, the Lease, the Indenture or the Certificates against the Trustee; the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Certificates; or the ability of the State and CDOT to use moneys from any particular source for the purpose of making payments under the Lease.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State of Colorado, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. This opinion is not a guarantee of any result. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Respectfully submitted,

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## **APPENDIX E**

### **The State General Fund**

#### **General**

The General Fund is the principal operating fund of the State. All revenues and money not required by the State Constitution or statutes to be credited and paid into a special State fund are required to be credited and paid into the General Fund. As required by changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 ACFR and subsequent ACFRs includes a large number of statutorily created special State funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the ACFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2020-21 ACFR as the General Purpose Revenue Fund.

#### **General Fund Revenue Sources**

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2021-22 and 2022-23. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and **Appendix G** – "OSPB MARCH 2022 REVENUE FORECAST," as well as "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward-Looking Statements in this Official Statement" at the beginning of this Official Statement.

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**State of Colorado**  
**General Fund Revenue Sources**  
(Accrual basis; dollar amounts expressed in millions)

Revenue Source	Actual										OSPB March 2022 Revenue Forecast			
	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
<b>Excise Taxes:</b>														
Sales Tax <sup>1</sup>	\$2,826.1	6.5%	\$ 3,094.2	9.5%	\$3,246.6	4.9%	\$3,196.0	4.7%	\$3,418.1	6.9%	\$3,912.5	14.5%	\$4,126.7	5.5%
Use Tax	259.5	7.6	309.9	19.4	345.5	11.5	210.5	(39.1)	214.2	1.8	239.1	11.6	246.0	2.9
Retail Marijuana Tax	--	--	--	--	--	--	245.5	27.0	288.2	17.4	266.2	(7.6)	278.2	4.5
Cigarette Tax	36.6	(1.7)	34.6	(5.5)	32.6	(5.8)	32.5	(0.1)	30.1	(7.3)	30.4	0.9	30.2	(0.8)
Tobacco Products	21.2	0.6	16.4	(22.7)	22.3	35.8	24.4	9.5	29.0	19.1	25.4	(12.4)	26.4	3.7
Liquor Tax	45.0	3.3	46.5	3.3	48.3	3.9	50.1	3.7	53.4	6.6	56.1	5.1	57.2	2.0
Proposition EE Tobacco Tax	--	--	--	--	--	--	--	--	49.0	--	214.1	336.8	228.2	6.6
Total Excise Taxes	3,188.4	6.4	3,501.6	9.8	3,695.3	5.5	3,759.0	1.7	4,082.1	8.6	4,743.9	16.2	4,992.9	5.2
<b>Income Taxes:</b>														
Net Individual Income Tax	6,760.9	3.6	7,577.2	12.1	8,247.0	8.8	8,645.5	4.8	9,478.1	9.6	10,718.2	13.1	10,983.2	2.5
Net Corporate Income Tax	509.3	(21.9)	781.9	53.5	919.8	17.6	728.3	(20.8)	1,183.7	62.5	1,176.1	(0.6)	1,059.4	(9.9)
Total Income Taxes	7,270.2	1.3	8,359.1	15.0	9,166.8	9.7	9,373.8	2.3	10,661.8	13.7	11,894.3	11.6	12,042.6	1.2
Less State Education Fund Diversion <sup>2</sup>	(540.0)	(3.3)	(617.0)	(14.3)	(692.8)	(12.3)	(646.7)	(6.7)	974.6	35.2	892.1	2.0	903.2	1.2
Total Income Taxes to the General Fund	6,730.2	1.1	7,742.1	15.0	8,474.0	9.5	8,727.1	3.0	9,787.2	12.2	11,002.2	12.4	11,139.4	1.2
<b>Other Revenues:</b>														
Insurance	290.5	3.6	303.6	4.5	314.7	3.6	337.4	7.2	336.3	(0.3)	354.6	5.4	437.0	23.2
Interest Income	14.7	18.6	19.5	32.4	26.5	35.8	0.4	(23.7)	50.0	60.9	53.9	7.7	36.8	(81.7)
Pari-Mutuel	0.6	(6.6)	0.5	(10.7)	0.5	(1.7)	31.1	17.2	0.3	(21.2)	0.3	13.8	0.3	(2.0)
Court Receipts	4.1	17.5	4.4	7.6	4.2	(5.3)	3.9	(6.7)	3.5	(9.8)	3.5	1.2	3.7	4.5
Other Income <sup>3</sup>	47.3	109.7	152.2	221.7	48.9	(67.9)	9.7	(80.2)	50.7	423.4	28.7	(43.5)	29.7	3.6
Total Other	357.2	11.8	480.2	34.4	394.7	(17.8)	382.5	(3.1)	440.9	15.3	441.0	--	507.6	15.1
<b>Gross General Fund</b>	<b>\$10,275.8</b>	<b>3.1%</b>	<b>\$11,723.9</b>	<b>14.1%</b>	<b>\$12,564.0</b>	<b>7.2%</b>	<b>\$12,868.5</b>	<b>2.4%</b>	<b>\$14,310.1</b>	<b>11.2%</b>	<b>\$16,187.2</b>	<b>13.1%</b>	<b>\$16,639.8</b>	<b>2.8%</b>

<sup>1</sup> State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Per SB 17-267, this tax is increased to 15% effective July 1, 2017. The revenue derived from this sales tax is shared by the State and local governments where such sales occur. Through Fiscal Years 2016-17, the entire State share of this revenue is first credited to the General Fund and then transferred to the Marijuana Tax Cash Fund. Per SB 17-267, for Fiscal Year 2019-20, 28.15% of the State share of this revenue, less \$30 million, is to be retained in the General Fund, 71.85% is to be transferred to the Marijuana Tax Cash Fund and \$30 million is to be credited to the Public School Fund and distributed to rural school districts. Proposition AA also approved the imposition by the State of an excise tax of 15% on certain sales of unprocessed retail marijuana effective January 2014 that does not flow through the General Fund but is mostly credited directly to a cash fund for public school capital construction projects. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – Voter Approval to Retain and Spend Certain Marijuana Taxes Associated with Proposition AA."

<sup>2</sup> 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.

<sup>3</sup> Other income in Fiscal Year 2017-18 includes receipt of a one-time settlement payment under the Tobacco Master Settlement Agreement.

Source: Office of State Planning and Budgeting.

## General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for the Fiscal Years 2016-17 through 2020-21, as well as the current OSPB estimates for Fiscal Years 2021-22 and 2022-23 from the OSPB March 2022 Revenue Forecast. Any new budget information will be incorporated in subsequent OSPB revenue forecasts. The format of the following table is used by the State in developing its annual budget, as discussed in “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations.” See also “Revenue Estimation; OSPB Revenue and Economic Forecasts” in this Appendix and **Appendix G** – “OSPB MARCH 2022 REVENUE FORECAST,” as well as the Preliminary Notices on the inside cover page of this Official Statement regarding forward-looking statements.

### State of Colorado General Fund Overview Fiscal Years 2016-17 through 2022-23

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) <sup>1</sup>					OSPB MARCH 2022 Revenue Forecast	
	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20 <sup>2</sup>	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23 <sup>3</sup>
<b>REVENUE:</b>							
Beginning Reserve	\$ 512.7	\$ 614.5	\$ 1,366.0	\$ 1,262.6	\$ 1,825.7	\$3,178.0	\$3,725.2
Gross General Fund Revenue	10,275.8	11,723.9	12,564.0	12,868.5	14,310.1	16,187.2	16,639.8
Transfers to the General Fund	44.8	98.6	17.2	248.0	336.8	35.8	34.7
<b>TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE</b>	<b>10,833.4</b>	<b>12,436.9</b>	<b>13,947.2</b>	<b>14,379.1</b>	<b>\$16,472.6</b>	<b>\$19,400.9</b>	<b>20,399.6</b>
<b>EXPENDITURES:</b>							
Appropriation Subject to Limit <sup>4</sup>	9,784.5	10,430.9	11,258.7	11,868.5	10,979.1	12,003.3	482.4
Dollar Change From Prior Year	448.9	646.4	827.8	609.8	(826.0)	1,024.2	1,479.1
Percent Change From Prior Year	4.8%	6.6%	7.9%	5.4%	(7.0)%	9.3%	12.3%
Spending Outside Limit:	640.1	784.5	1,596.3	910.5	2,347.9	3,672.4	4,711.8
TABOR Refund under Subsection (7)(d)	--	39.8	428.5	--	547.9	2,229.2	2,029.2
Homestead Exemption (Net of TABOR Refund) <sup>5</sup>	--	132.3	106.4	--	157.9	--	--
Other Rebates and Expenditures <sup>5</sup>	285.0	158.5	159.7	145.7	137.9	141.6	143.4
Transfers for Capital Construction <sup>6</sup>	84.5	112.1	180.5	213.6	43.0	354.0	391.6
Transfers for Transportation <sup>6</sup>	79.0	79.0	495.0	300.0	30.0	294.0	205.0
Transfers to State Education Fund	25.3	25.3	25.0	40.3	113.0	123.0	450.0
Transfers to Other Funds <sup>8</sup>	164.8	208.6	201.1	210.9	1,318.0	530.7	1,492.6
Other Expenditures Exempt from General Fund Appropriations Limit <sup>8</sup>	1.5	29.0	--	--	--	--	--
<b>TOTAL GENERAL FUND OBLIGATIONS</b>	<b>10,424.6</b>	<b>11,215.5</b>	<b>12,855.0</b>	<b>12,715.6</b>	<b>13,327.1</b>	<b>15,675.7</b>	<b>18,194.2</b>
Percent Change from Prior Year	1.9%	7.6%	14.6%	(0.6)%	4.8%	17.6%	16.1%
Reversions and Accounting Adjustments <sup>9</sup>	(205.7)	(123.3)	(170.3)	225.5	(32.4)	--	--
<b>RESERVES</b>							
Year-End General Fund Balance	614.5	1,344.8	1,262.5	1,825.7	3,178.0	3,725.2	2,205.4
Year-End General Fund as a % of Appropriations	6.3%	12.9%	11.2%	15.4%	28.9%	31.0%	16.4%
General Fund Statutory Reserve Amount <sup>10</sup>	584.3	674.9	814.2	364.4	314.0	1,608.4	2,022.4
Unappropriated Reserve Percentage <sup>10</sup>	6.0%	6.5%	--	11.4%	2.86%	13.4%	15.0%
Amount Above (Below) Statutory Reserve	30.2	669.9	448.3	1,461.4	2,864.0	2,116.8	183.1

Footnotes on following page:

- <sup>1</sup> This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's ACFRs which are audited for the applicable Fiscal Years.
- <sup>2</sup> Preliminary, subject to change.
- <sup>3</sup> Fiscal Year 2022-23 expenditures will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections shown in the table for Fiscal Year 2022-23 are illustrative only. Further, due to the requirement that the State budget be balanced, the negative Year-End General Fund Balance would not be permitted under State law. See "CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus)."
- <sup>4</sup> Total State appropriations during this period have been limited to such money as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus an amount equal to 5.0% of Colorado personal income.
- <sup>5</sup> Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. TABOR refunds are not projected for Fiscal Years 2019-20 and 2020-21. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – Fiscal Year Revenue and Spending Limits; Referendum C" and **Appendix G** – "OSPB MARCH 2021 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit."
- <sup>6</sup> Other Rebates and Expenditures generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. Commencing with Fiscal Year 2017-18, the Homestead Property Tax Exemption has been shown as a separate category as the result of SB 17-267, which added as the first TABOR refund mechanism amounts reimbursed to county treasurers in the year of the TABOR refund for local property tax revenue losses attributable to the Homestead Property Tax Exemption as discussed in "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – Fiscal Year Revenue and Spending Limits; Referendum C."
- <sup>7</sup> Amounts in this line generally include the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; and the Old Age Pension program, which provides assistance to low income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and, prior to Fiscal Year 2017-18, the Homestead Property Tax Exemption.
- <sup>8</sup> Section 24-75-219, C.R.S., requires certain transfers from the General Fund to the Highway Users Tax Fund and the Capital Construction Fund, commonly referred to as "228" transfers based on SB 09-228 which originally provided for the transfers. The amounts of the 228 transfers were revised per HB 16-1416 and SB 17-262. The amount of the capital construction transfers in Fiscal Years 2015-16, 2016-17 and 2017-18 also included transfers of General Fund money in addition to the required 228 transfers. In addition, SB 18-001 commits General Fund revenue for transportation projects in Fiscal Years 2018-19 and 2019-20. However, such transfers may be modified by the State Legislature. See "COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION – General Fund Transfers."
- <sup>9</sup> State law requires transfers of General Fund money to various State cash funds. This line item includes transfers of amounts credited to the General Fund from the retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above. However, for Fiscal Year 2015-16 only, \$40.0 million of the transfer to other funds amount is a transfer to public school capital construction related to the passage of Proposition BB. The Fiscal Year 2015-16 and Fiscal Year 2016-17 amounts also include a diversion of income tax revenue out of the General Fund to a separate severance tax fund pursuant to SB 16-218. However, due to the risk of lower than expected severance tax revenues in Fiscal Year 2017-18 and thereafter, HB 18-1338 requires General Fund transfers to various severance tax cash funds to protect program funding, and also requires an equivalent amount of future severance tax revenue to be diverted to the General Fund to repay these transfers
- <sup>10</sup> Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.
- <sup>11</sup> The Unappropriated Reserve requirement, codified as Section 24-75-201.1(1)(d), C.R.S., is a percentage of the amount appropriated for expenditure from the General Fund in the applicable Fiscal Year. For Fiscal Year 2015-16 only, the percentage is of the amount subject to the appropriations limit minus the amount of income tax revenue required by to be diverted to a reserve fund to fund severance tax refunds as discussed above. In Fiscal Years 2015-16 through 2017-18, General Fund appropriations for lease-purchase agreement payments made in connection with certificates of participation sold to fund certain capital projects were made exempt from the reserve calculation requirement. These appropriations were \$37.8 million in Fiscal Year 2015-16, \$46.0 million in Fiscal Year 2016-17 and \$48.1 million in Fiscal Year 2017-18. SB 18-276 repealed the exemption of the lease-purchase agreement payments from the calculation of the reserve requirement. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – Revenues and Unappropriated Amounts" and "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – The State, State Departments and Agencies."

Source: Office of State Planning and Budgeting.

## Revenue Estimation; OSPB Revenue and Economic Forecasts

**Revenue Estimating Process.** The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue

estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The most recent OSPB revenue forecast was issued on March 17, 2022, and is included in this Official Statement as **Appendix G** – “OSPB MARCH 2022 REVENUE FORECAST.” The OSPB March 2022 Revenue Forecast projects revenues for Fiscal Years 2021-22 through 2022-23. The amounts forecast for Fiscal Years 2021-22 and 2022-2023 are summarized in “General Fund Revenue Sources” and “General Fund Overview” above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB March 2022 Revenue Forecast was provided by Moody’s Economy.com. The OSPB forecasts the State economy using a model originally developed partly in-house and partly by consultants to the State.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Moody’s Economy.com’s forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic data estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts and sales tax collections, the model forecasts only the aggregate amount for these revenues. For many of the smaller tax revenue categories, simple trend analyses are generally utilized to derive a forecast.

**Revenue Shortfalls.** The State’s Fiscal Year budgets are prepared and surplus revenues are determined using the modified accrual basis of accounting in accordance with the standards promulgated by GASB, with certain statutory exceptions. As a result, although the Fiscal Year budgets are balanced and, based upon the current forecast, there is anticipated to be an Unappropriated Reserve. The State may experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State’s Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. Also, prior forecasts of General Fund revenue may have overestimated the amount the State would receive for the Fiscal Year.

Whenever the Governor’s revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or

discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The next OSPB revenue forecast will be released in June of 2022. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB March 2022 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2021-22 and subsequent forecasted years, which would result in a budgetary shortfall, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See “CERTAIN RISK FACTORS – State Budgets and Revenue Forecasts.”

### Investment of the State Pool

**General.** The investment of public funds by the State Treasurer is subject to the general limitations discussed in “STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds.” The State Treasurer has adopted investment policies further restricting the investment of State pool money, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitrated against must be closely matched in both dollar amount and term.

**Fiscal Years 2021-22 and 2020-21 Investments of the State Pool.** The following table sets forth the investment by category of the money in the State Pool as of the end of each month in Fiscal Year 2021-22 for which information is available.

**State of Colorado**  
**State Pool Portfolio Mix**  
**Fiscal Year 2021-22**  
(Amounts expressed in millions)<sup>1</sup>

	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022
Agency CMOs	\$ 454.6	\$ 536.4	\$ 666.3	\$ 753.0	\$ 689.5	\$ 676.0	\$ 710.3	\$ 696.1	\$ 660.8	\$ 676.4	0.0	0.0
Commercial Paper	4,120.1	4,323.9	5,198.6	5,230.0	5,230.8	5,161.9	5,565.8	5,363.7	5,580.3	6,498.9	0.0	0.0
U.S. Treasury Notes	2,754.0	2,570.4	2,477.2	2,476.6	2,344.2	2,343.1	3,211.1	3,243.8	3,207.7	3,217.6	0.0	0.0
Federal Agencies	1,070.1	1,044.3	1,007.5	1,007.5	1,058.2	1,058.2	1,082.3	1,107.4	1,132.5	1,190.5	0.0	0.0
Asset-Backed Securities	526.5	499.6	498.4	418.8	378.2	341.9	307.9	307.6	308.5	468.5	0.0	0.0
Money Market	1,935.0	1,735.0	1,350.0	960.0	700.0	1,280.0	1,035.0	770.0	910.0	2,600.0	0.0	0.0
Corporates	6,818.9	6,896.0	6,929.8	7,244.5	7,406.3	7,428.6	7,652.9	7,784.1	7,826.8	7,688.3	0.0	0.0
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
<b>Totals</b>	<b>\$17,679.2</b>	<b>\$17,605.6</b>	<b>\$18,127.8</b>	<b>\$18,090.4</b>	<b>\$17,807.2</b>	<b>\$18,289.7</b>	<b>\$19,565.3</b>	<b>\$19,272.7</b>	<b>\$19,626.6</b>	<b>\$22,340.2</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> This table includes all money in the State Pool, which includes the General Fund, Borrowable Resources and other money that are invested by the State Treasurer.

Source: State Treasurer’s Office

**APPENDIX F**  
**Selected CDOT Financial Information**

The following tables set forth a Combined Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the Highway Users Tax Fund and sub-accounts for Fiscal Years 2016-17 through 2020-21 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 2016-17 through 2020-21, which are audited by the State Auditor. Balances reported in these tables include the State Highway Fund in addition to sub-accounts within the Highway Users Tax Fund for the Department of Public Safety, the Department of Revenue, and the Department of Public Health and Environment not appropriated by the General Assembly or otherwise available to CDOT to pay Base Rentals as discussed under the caption “COLORADO DEPARTMENT OF TRANSPORTATION FINANCIAL INFORMATION” in the forepart of this Official Statement. See also “CERTAIN RISK FACTORS – Impact of COVID-19 (Coronavirus).” Unless otherwise noted, historical financial, economic and demographic data contained herein does not reflect the impact of COVID-19.

The State’s Fiscal Year 2020-21 ACFR, including the State Auditor’s Opinion thereon, is also appended to this Official Statement as **Appendix A**.

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**HIGHWAY USERS TAX FUND  
COMBINED BALANCE SHEET  
(As of June 30 of each year)  
(Dollars in thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>					
Cash and Pooled Cash	\$55,291	\$60,535	\$69,388	\$66,445	\$65,115
Taxes Receivable, net	1,843	2,272	2,009	1,932	-
Other Receivables, net	1,097	1,845	1,546	1,985	3,416
Due from Other Governments	-	-	-	2,043	-
Due from Other Funds	13,715	699	1,978	8,281	5,037
Inventories	17,908	20,946	18,012	-	9,334
Other Current Assets	-	-	-	-	-
Prepays, Advances and Deferred Charges	6,077	5,032	3,717	3,729	679
Restricted Cash and Pooled Cash	881,407	764,565	836,806	545,255	497,654
Restricted Investments	-	2,290	2,286	5,466	90,122
Restricted Receivables	323,048	443,711	444,218	628,870	587,488
Other Long-Term Assets	31,495	20,865	15,049	15,154	9,793
Depreciable Capital Assets & Infrastructure, net	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$1,331,881</u>	<u>\$1,322,580</u>	<u>\$1,395,309</u>	<u>\$1,279,160</u>	<u>\$1,268,638</u>
<b>LIABILITIES</b>					
Warrants Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	\$2,255
Accounts Payable and Accrued Liabilities	\$297,844	\$264,027	\$260,185	\$241,608	217,069
Due to Other Governments	38,997	44,558	44,460	38,934	34,317
Due to Other Funds	500	304	620	623	1,565
Deferred Revenues	237,606	34,077	44,163	44,493	31,207
Unearned Revenue	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-
Claims and Judgments Payable	174	137	92	34	8
Deposits Held in Custody for Others	1,174	-	-	-	-
Other Current Liabilities	42	42	31	30	32
<b>TOTAL LIABILITIES</b>	<u>\$576,377</u>	<u>\$343,145</u>	<u>\$349,551</u>	<u>\$325,722</u>	<u>\$286,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$3,062</u>	<u>\$1,082</u>	<u>\$2,804</u>	<u>\$1,239</u>	<u>\$1,465</u>
<b>FUND EQUITY</b>					
Fund Balances:	-	-	-	-	-
Reserved For:	-	-	-	-	-
Encumbrances	-	-	-	-	-
Noncurrent Assets	-	-	-	-	-
Funds Reported as Restricted	-	-	-	-	-
Other Specific Purposes	-	-	-	-	-
Statutory Fund Residual	-	-	-	-	-
Long-Term Assets and Long-Term Receivables	-	-	-	-	-
Emergencies	-	-	-	-	-
Unreserved Undesignated, Reported in:	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Unreserved:	-	-	-	-	-
Designated for Unrealized Investment	-	-	-	-	-
Gains:	-	-	-	-	-
Reported in Major Funds	-	-	-	-	-
Undesignated	-	-	-	-	-
Nonspendable:	-	-	-	-	-
Long-term Portion of Interfund Loan Receivable	-	-	-	-	-
Inventories	\$17,908	\$20,946	\$18,012	\$8,281	\$9,334
Prepays	6077	5,032	3,717	3,729	679
Restricted	679,412	900,962	961,284	882,113	917,778
Committed	49,045	51,413	59,641	558,076	52,929
<b>TOTAL FUND EQUITY</b>	<u>\$752,442</u>	<u>\$978,353</u>	<u>\$1,042,654</u>	<u>\$952,199</u>	<u>\$980,720</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES</b>	<u>\$1,331,881</u>	<u>\$1,322,580</u>	<u>\$1,395,009</u>	<u>\$1,279,160</u>	<u>\$1,268,638</u>



**HIGHWAY USERS TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**(As of June 30 of each year)**  
**(Dollars in thousands)**

	2021	2020	2019	2018	2017
<b>REVENUES:</b>					
Taxes	\$593,737	\$624,853	\$655,250	\$656,484	\$629,458
Licenses, Permits and Fines	417,864	394,963	409,519	409,332	392,445
Charges for Goods and Services	141,884	187,260	154,772	141,503	143,666
Rents	2,717	4,013	3,609	3,259	3,037
Investment Income	(10,899)	39,470	31,131	754	2,769
Federal Grants and Contracts	620,418	660,650	456,454	769,476	843,438
Other	91,849	74,647	167,135	171,232	67,782
<b>TOTAL REVENUES</b>	<u>\$1,857,570</u>	<u>\$1,985,856</u>	<u>\$1,877,870</u>	<u>\$2,152,040</u>	<u>\$2,082,595</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	\$74,727	\$71,564	\$60,701	\$67,930	\$62,984
Health and Rehabilitation	12,277	12,435	12,303	10,652	11,862
Justice	142,777	143,052	143,078	134,754	128,525
Transportation	1,479,831	1,548,895	1,294,660	1,344,667	1,361,221
Capital Outlay	60,866	74,765	53,874	129,062	84,846
Intergovernmental:					
Cities	202,529	241,472	263,769	253,012	260,710
Counties	230,494	268,809	279,289	235,832	234,563
Special Districts	136,385	79,133	64,986	61,071	67,459
Federal	16	14	2	16	14
Other	3,251	4,744	822	2,728	1,196
<b>TOTAL EXPENDITURES</b>	<u>\$2,343,153</u>	<u>\$2,444,883</u>	<u>\$2,173,484</u>	<u>\$2,239,724</u>	<u>2,213,380</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$(485,583)</u>	<u>\$(459,027)</u>	<u>\$(295,614)</u>	<u>\$(87,684)</u>	<u>\$(130,785)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer In	\$354,626	\$459,130	\$445,317	\$85,176	\$83,715
Transfer Out	(95,287)	(65,298)	(59,252)	(26,616)	(148,017)
Sale of Capital Assets	--	--	--	--	--
Proceeds of Bond Issuance	--	--	--	--	142,543
Advances from Private or Public Sources	--	--	--	--	--
Insurance Recoveries	91	894	4	603	1,843
Note/Bond/COP Refunding Issuance	19,050	--	--	--	--
Bond/COP Premium Refunding Proceeds	3,742	--	--	--	--
Bond/COP Refunding Payments	(22,350)	--	--	--	--
Other	--	--	--	--	80,084
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$259,672</u>	<u>\$394,726</u>	<u>\$386,069</u>	<u>\$59,163</u>	<u>--</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$(225,911)</u>	<u>\$(64,301)</u>	<u>\$90,455</u>	<u>(28,521)</u>	<u>\$(50,701)</u>
<b>FUND BALANCE, JULY 1</b>	<u>\$978,353</u>	<u>\$1,042,654</u>	<u>\$952,199</u>	<u>\$980,720</u>	<u>\$1,031,421</u>
Net Residual Equity Transfers-In (Out)	--	--	--	--	--
Prior Period Adjustment	--	--	--	--	--
<b>FUND BALANCE, JUNE 30</b>	<u>\$752,442</u>	<u>\$978,353</u>	<u>\$1,042,654</u>	<u>\$952,199</u>	<u>\$980,720</u>

Source: State audit financial statements, Fiscal Years 2016-17 through 2020-21.

## HUTF Revenues Received by CDOT

The following table sets forth the amount of HUTF revenues received by CDOT in Fiscal years 2010-11 through 2020-21 that would have been available to pay Base Rentals.

### HUTF Revenue to CDOT Available to Pay Base Rentals Fiscal Years 2010-11 through 2020-21 (Dollars in millions)

<u>Fiscal Year</u>	<u>HUTF Revenue<sup>1</sup></u>
2011	\$409.9
2012	414.0
2013	406.2
2014	418.6
2015	436.0
2016	438.5
2017	450.1
2018	469.3
2019	460.7
2020	438.5
2021	422.7

<sup>1</sup> 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 2016-17 through 2020-21.

### CDOT Contributions to PERA Fiscal Years 2016-17 through 2020-21

<u>Fiscal Year</u>	<u>Dollar Amount of CDOT Contribution to PERA</u>	<u>Contribution as a Percentage of HUTF Revenues</u>
2017	35,825,179	8.0
2018	37,446,575	8.0
2019	39,581,009	8.6
2020	41,214,636	9.4
2021	42,333,972	10.0

Source: CDOT.

CDOT's proportionate share of the GASB 68 Net Pension Liability at the end of Fiscal year 2020-21, excluding CDOT enterprises and internal service funds, was \$568.4 million. See additional information on the pension plan and funding in **Appendix J** – "STATE PENSION SYSTEM."

**APPENDIX G**  
**OSPB March 2022 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 2021-22 through 2023-24. The forecasts include projections of General Fund revenues available for spending and end-of-year reserves through the forecast period. Budgeted General Fund spending levels are also included. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts.

The most recent OSPB Revenue Forecast was issued on March 17, 2022, 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.

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March 17, 2022

# STATE OF COLORADO

Governor's Office of State Planning and Budgeting

## COLORADO ECONOMIC AND FISCAL OUTLOOK



**COLORADO**  
Governor Jared Polis

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For additional information about the Governor’s Office of State Planning and Budgeting, to access this publication electronically, or to sign up to be notified by email when the quarterly forecast is released, please visit [www.colorado.gov/ospb](http://www.colorado.gov/ospb).

# Forecast in Brief

## **NATIONAL ECONOMIC OUTLOOK**

The U.S. economy continues to rebound in 2022, but faces greater headwinds than previously expected due to inflationary pressures expanding beyond supply chain disruptions. Broad-based price growth currently also includes energy and food prices, the cost of shelter, and growing services inflation as companies pass higher input prices onto consumers. Wage growth continues at a rapid pace, due to a tight labor market where job openings outnumber unemployed workers.

## **COLORADO ECONOMIC OUTLOOK**

Colorado's job growth is expected to remain strong in 2022, nearly matching 2021 growth. The inflation rate is expected to face additional upward pressure from wage growth, shelter prices and supply chain constrained goods. The unemployment rate is expected to equal the U.S. in 2022, while the state's labor force participation rate continues to be top five in the nation and closes in on pre-pandemic levels.

## **GENERAL FUND REVENUE**

General Fund revenue is projected to increase to \$16.2 billion in FY 2021-22, a 13.1 percent change from the prior fiscal year. The projection for FY 2021-22 is \$205.9 million higher than the December forecast. The growth rate is expected to moderate to 2.8 percent in FY 2022-23 and 3.2 percent in FY 2023-24. This upward revision is due to high expected individual income and sales tax revenue collections, driven by wage and inflation growth.

## **CASH FUND REVENUE**

Total cash fund revenue subject to TABOR was \$2.2 billion in FY 2020-21. In FY 2021-22, cash fund revenue is projected to increase by 12.0 percent followed by 1.8 percent growth in FY 2022-23 and 4.4 percent growth in FY 2023-24. The FY 2021-22 increase is attributable to an uptick in fee collections coming off of low levels during the pandemic. Cash fund revenue is not typically as susceptible to inflationary pressures, since many of the fees are set in statute.

## **TABOR**

After exceeding the Referendum C cap (as restored by S.B. 21-260) by \$547.9 million in FY 2020-21, revenue subject to TABOR is expected to remain above this cap through the duration of the forecast period. Current projections show that revenue will be \$2,229.2 million above the cap in FY 2021-22, \$2,029.2 million above the cap in FY 2022-23, and \$1,328.2 million above the cap in FY 2023-24, triggering the temporary income tax rate reduction in each year.

## **GENERAL FUND RESERVE**

Under this forecast, the General Fund ending balance is projected to be \$2,116.8 million above the statutory reserve level of 13.4 percent of appropriations in FY 2021-22.

# Economic Outlook

The economic growth forecast has been revised down throughout the three-year horizon as inflationary pressures translate to a drag on consumer demand and supply chain disruptions continue to be more persistent than previous expectations. However, personal income and retail spending, reported in nominal terms, are revised up as wages continue to rise due to continued labor market tightness as well as real and expected inflationary pressures. Wage growth and reduced perceived barriers to enter the job market are expected to increase job growth more than previously anticipated. Long run demographic constraints on labor force participation remain, as population growth is declining due to both reduced net migration in the short run and declining birth rates in the long term.

## Inflation

The U.S. consumer price index (CPI) continues to rise rapidly, with 7.9 percent inflation growth over the course of the 12 months preceding February, the highest in 40 years. Growth was broad-based, due to rising food and energy prices, shelter categories picking up to 35-year highs, non-shelter services prices accelerating since the last forecast, and durable goods price growth remained strong despite tempering growth in auto prices. The local Denver metropolitan area CPI report is bi-monthly, so the most recent available data is through January instead of February. For January, Denver inflation growth exceeded the nation with 7.9 percent inflation over the last 12 months compared with 7.5 percent nationally for the same period. Denver core inflation also exceeded the nation, 7.0 versus 6.0 percent, as shelter and supply-chain-constrained goods inflation all outpaced the nation. Given continued U.S. price acceleration reported in February, Denver prices are also expected to grow faster in the next release, out in April.

**Figure 1. Major Components Driving Denver and U.S. 12 month Inflation Growth**

	Denver YoY CPI Growth	U.S. YoY CPI Growth	Growth Difference	Denver Component Weight (out of 100)	U.S. Component Weight (out of 100)	Component % Difference
Shelter	5.2%	4.4%	0.8%	36.291	32.946	10.2%
Services less shelter	4.7%	4.7%	0.0%	28.409	28.354	0.2%
Transportation	21.1%	20.8%	0.3%	16.591	17.404	-4.7%
Food	7.3%	7.0%	0.3%	11.490	13.370	-14.1%
Energy	24.9%	27.0%	-2.1%	5.489	7.348	-25.3%

Source: Bureau of Labor Statistics

The shelter component of CPI is the largest weight of the basket of goods, accounting for a higher share in Denver than the nation by 10.2 percent, as seen in Figure 1. Since October 2021, national shelter rent has shown strength not seen since the early 1990s, with U.S. growth at 4.4 percent, while Denver rent inflation accelerated at a faster pace with a 5.2 percent increase. Faster recent house price appreciation, strong wage growth, and a low unemployment rate suggest that the underlying shelter inflation trend should remain firm through 2023 but peak in the current year. Upside surprises on house price appreciation or wage growth could provide additional upward pressure for longer.

Non-shelter related services price growth in Denver is equal to the U.S., at 4.7 percent year-over-year growth in January. It is likely that some services price growth is due to rising wages that businesses are passing onto consumers. This pass-through effect, combined with high inflation expectations, has led to questions about the probability of a wage-price spiral, occurring when workers demand higher wages to compensate for higher inflation which in turn raises prices further. While the risk of a wage-price spiral is possible, OSPB sees wage and price pressures calming down somewhat this year as easing supply chain constraints should help bring down inflation, along with the Federal Reserve successfully managing long-term inflation expectations.

Supply-chain-constrained goods price inflation has begun to show signs of moderation, as U.S. auto prices began to fall in month-over-month terms to start the year. Compared with forward looking expectations for most of last year, inventories of products are still low for many durable goods products, leading to further price growth which is not expected to revert by as much or as quickly. As an example, used car prices remain well above normal price growth, at 43.4 percent locally compared to 40.5 percent in the U.S. over the last 12 months. This growth in used car prices is a major reason why total transportation inflation is also higher locally, as seen in Figure 1. Local goods inflation is possibly elevated due to additional transportation costs and obstacles compared with cities closer to major ports, though there are signs of easing pressure there.

Food price inflation is higher in Denver than the U.S. as well over the past 12 months, due to faster rising prices of food bought at restaurants as rising wages are likely being passed through to menu prices. U.S. grocery prices have increased 11 percent over the last two years, the highest since the financial crisis of 2008, due to a combination of bad weather, poor crop yields, elevated demand, and historically tight inventories. Local grocery prices are still growing quickly, but at a slower pace than the nation, recording nearly 8 percent over that two-year period. However, weather-related spikes are volatile and a local risk, while the soaring costs of certain farming inputs like fertilizer prices will limit the extent to which commodity prices can meaningfully revert. Furthermore, Ukraine is one of the world's largest producers and exporters of wheat and corn, which is expected to have limited upward pressure on grains prices in 2022.

Energy prices were quickly on the rise, even prior to the ongoing conflict between Russia and Ukraine. Absent the geopolitical shock, oil prices were already expected to rise further as oil inventories and spare capacity remain low and demand continues to be robust. Russia-Ukraine

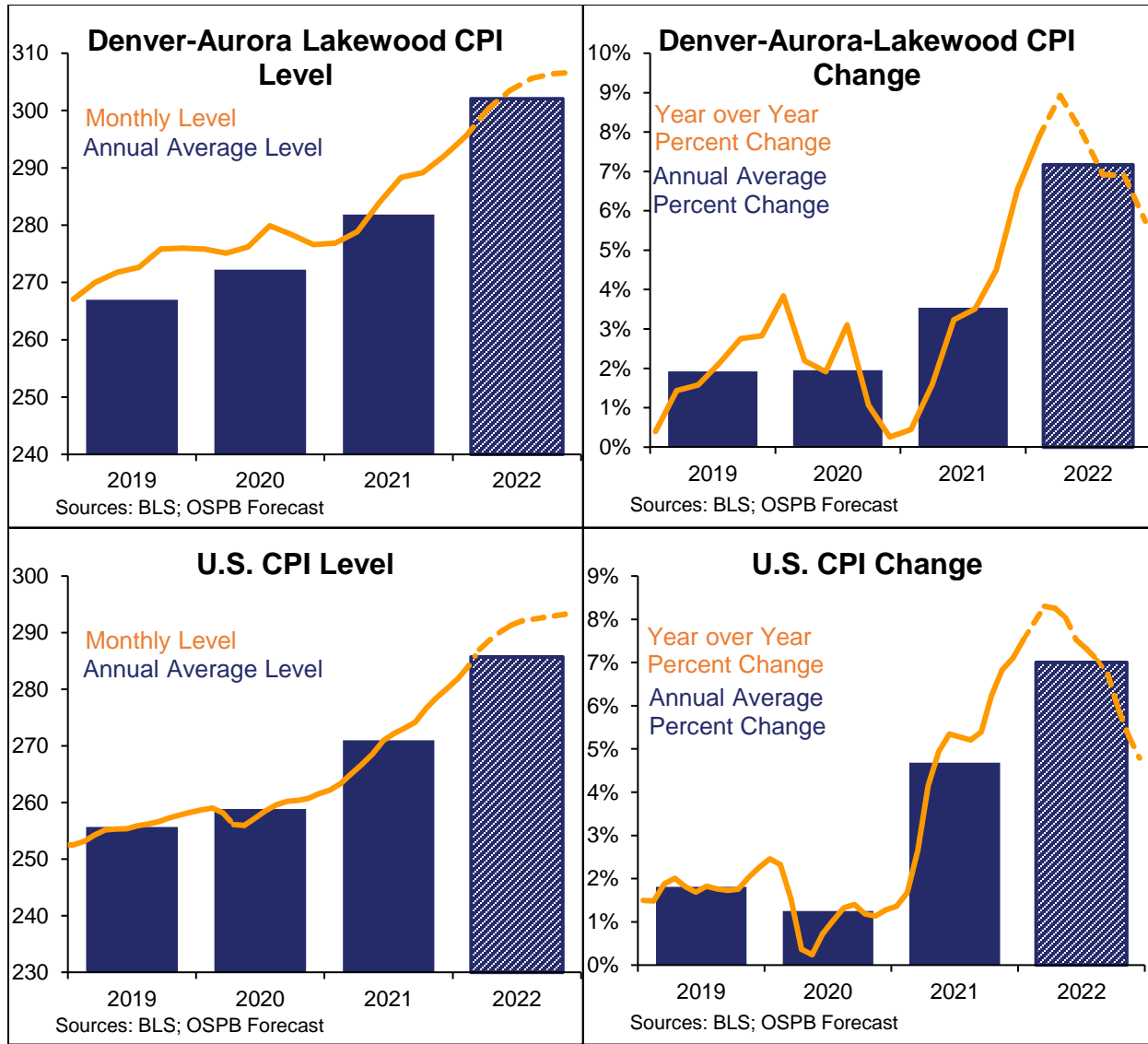


tensions have added additional upward pressure on oil prices, with Russia supplying 11 and 17 percent of the world’s oil and gas supply, respectively. Note that the primary expected economic impact of the geopolitical conflict is on inflation of food and energy prices. Beyond that, U.S. short term inflation expectations tend to be closely tied to energy prices, but those expectations are not expected to meaningfully change wage or consumer spending growth. While the U.S. and Colorado are not as reliant on energy imports as the EU, the U.S. became a net importer in 2021 after net exporting in 2020, so an inability to quickly ramp up domestic production would put further pressure on prices.

Overall, OSPB expects that shelter and supply-constrained goods inflation will all be somewhat elevated locally due to the extension of existing trends described above. Food, energy, and non-shelter service prices are expected to grow at about the same rate as the nation overall. Also, component weights for the U.S. and Denver are not identical, which is expected to have a slight upward push on local inflation relative to the U.S. The basket of goods and services is broken down by component in Figure 1, which reflects the expenditures locally and that of the country as a whole. Denver spends relatively more on shelter and recreation as a percent of total expenditures, therefore the basket of goods for CPI places higher weights on those components. On the other hand, Denver spends less on energy and food, and about the same on services overall.

OSPB has revised its expected Denver inflation for 2022 from 3.3 percent to 7.2 percent, due to firmer shelter growth, growing service inflation from rising wage passthrough, prolonged supply chain disruptions and material costs, and increasing food and energy prices, largely due to underlying economic drivers and exacerbated by geopolitical issues. The U.S. inflation path is similar but less pronounced in 2022, as the projection is revised from 3.5 percent in December to 7.0 percent now. See Figure 2 below for the expected path across months that align with these expectations.

Figure 2.



## Consumer Spending and Retail Sales

Against the backdrop of the Omicron surge, continued supply chain issues, and other inflationary pressures, real personal consumption expenditures (PCE) remained relatively strong through the end of 2021, though the last two months of the year saw a slight goods-driven reduction. Real spending fell by annualized rates of 6.6 percent and 2.8 percent for durable and nondurable goods respectively from October through December 2021. As anticipated in December, durable goods spending has decelerated, likely resulting from continued supply chain and inflationary pressures on purchases of large items such as cars and home appliances. This has not been sufficient to derail these purchases altogether as goods spending remains more than 12 percent above its February 2020 level.

**Figure 3. Real Personal Consumption Expenditures**

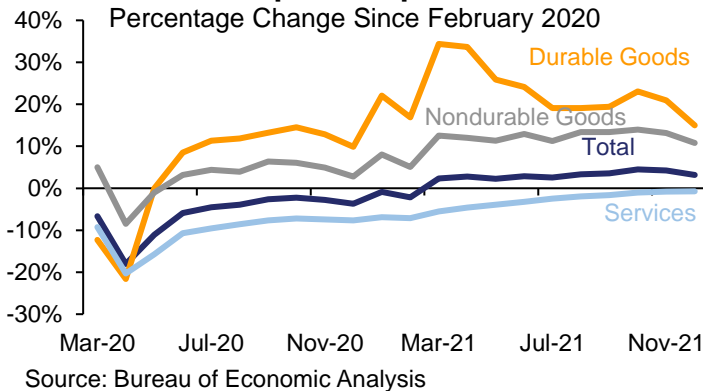
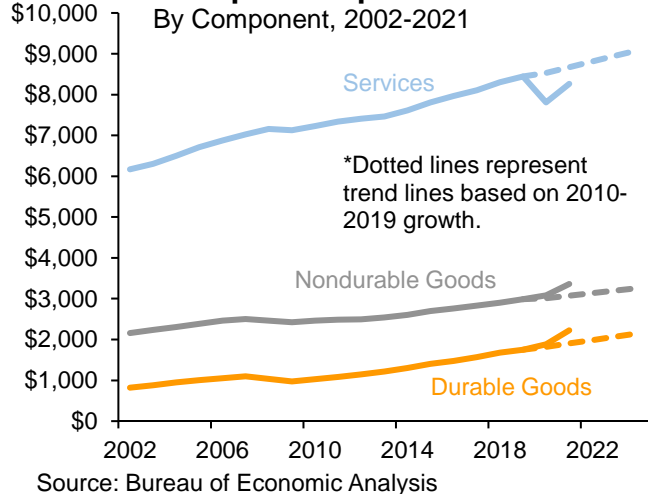


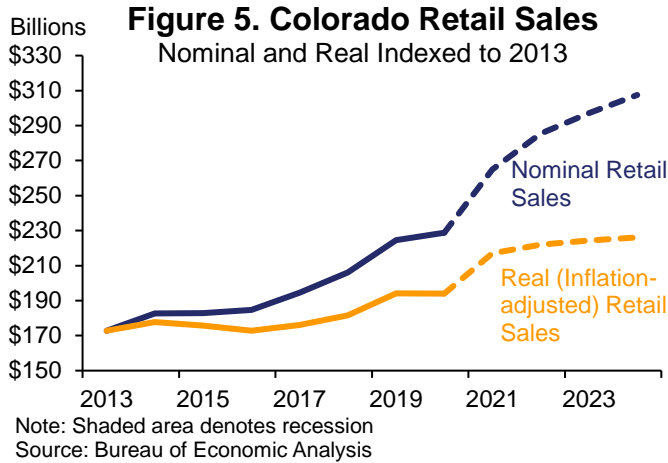
Figure 3 demonstrates these trends, expressed as percentage changes since pre-pandemic (February 2020) levels for each component of PCE. The recent declines are also likely indicative of a broader, albeit slow, return toward pre-pandemic consumption as the simultaneous headwinds of declining accumulated savings and a steady return to services spending persist.

Figure 4 shows longer term pre-pandemic trend growth for each component and the extent to which pandemic consumption levels strayed from historical growth rates. While it is still unclear the extent to which spending on each component will revert to annual pre-pandemic trends over the next couple of years, a target to rejoin pre-pandemic trends by 2022 for services and 2023-2024 for goods spending is a reasonable baseline. In order to return to trend by these target dates, services spending would need to grow by 6.7 percent in 2022, slightly faster than the 5.8 percent 2021 growth rate. In contrast, durable goods spending would need to decline by 7.0 percent total between 2021 and 2023, or by 3.3 percent total between 2021 and 2024.

**Figure 4. Real Personal Consumption Expenditures**



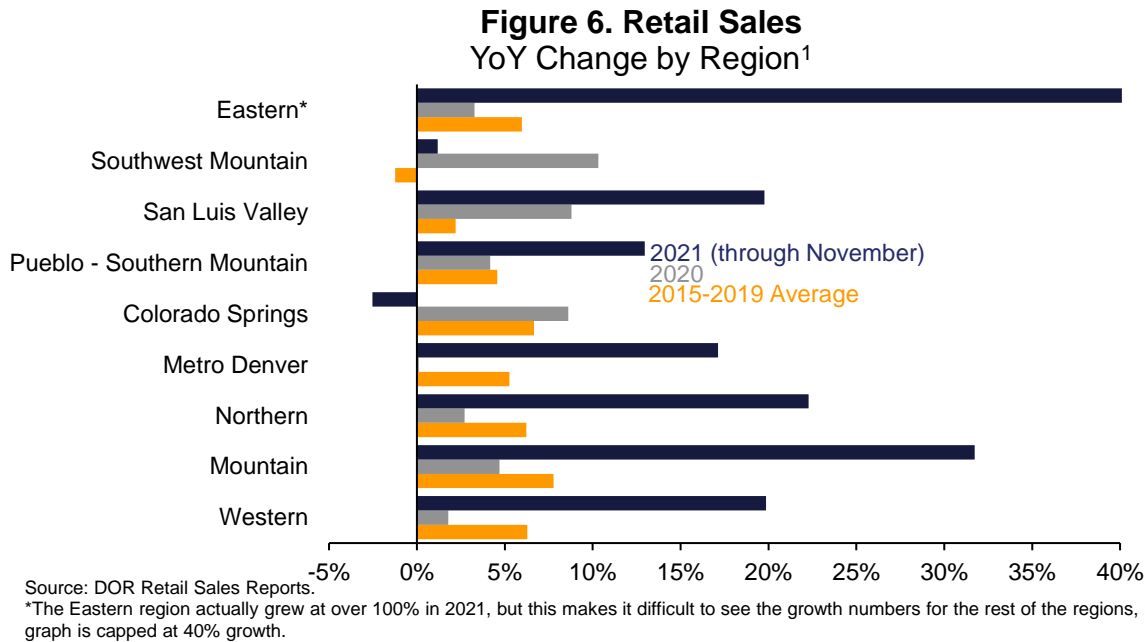
These trends around U.S. PCE components are also present in the Colorado and U.S. retail sales data. As Figure 5 demonstrates, OSPB anticipates that real retail sales, which largely consist of goods purchases, will close out 2021 strong, followed by a return to pre-pandemic growth trends in the out years as a result of slowing demand for goods purchases and increasing demand for services. The figure also demonstrates the anticipated gap between nominal retail sales and real retail sales, as price increases, as opposed to purchase volume increases, will



continue to inflate aggregate retail sales. This expected inflation effect on retail sales is particularly important as sales tax revenue collections are based on nominal sales, which has resulted in an upward revision to the revenue forecast.

Finally, Figure 6 observes retail sales growth rates by region,<sup>1</sup> comparing 2020 and 2021 growth rates to the pre-pandemic average. Notably, with the exception of Metro Denver, most regions experienced retail sales growth within the range of pre-pandemic trends from 2019-2020, likely the result of the shift from goods to services spending discussed above, stronger online purchases, and potentially higher consumption in more rural areas of the state. In addition, nearly all regions experienced considerable growth in 2021, with statewide retail sales forecasted to grow by 16.5 percent in 2021.

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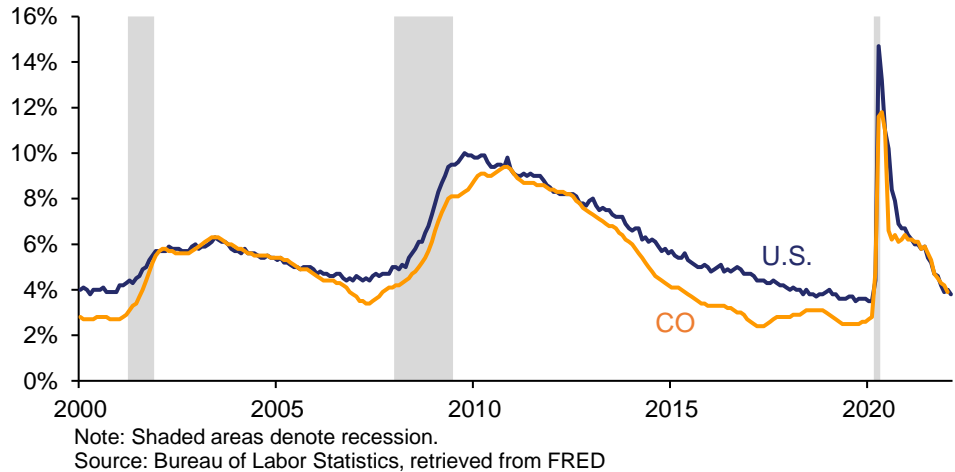
<sup>1</sup> Regions are created using the county level mapping used by the Legislative Council Staff.

## Labor Force

Labor market conditions in the United States and in Colorado continue to be tight, with employers searching for more workers than are available. The unemployment rate dropped throughout 2021 as labor market conditions tightened, reaching 4.1 percent for Colorado in January and 3.8 percent for the nation in February. Data for Colorado’s unemployment rate was recently revised by

the Bureau of Labor of Statistics, resulting in downward revisions of roughly 0.5 percentage points per month throughout 2021. Previously, the unemployment rate in Colorado was higher than the nation’s, but the revisions signal that

**Figure 7. Unemployment Rate U.S. vs CO**



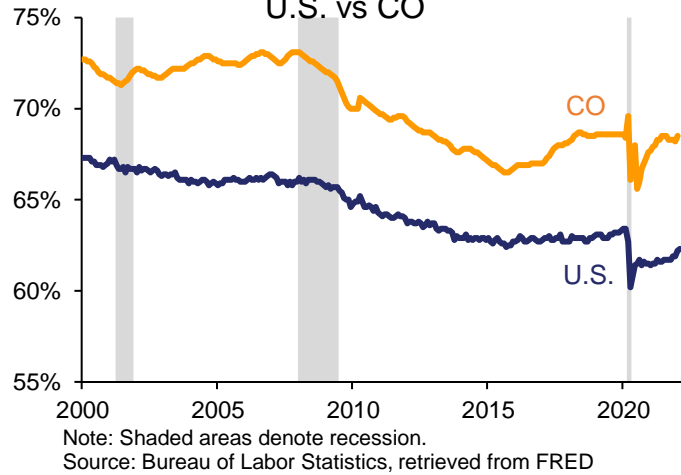
unemployment in Colorado and the U.S. are actually nearly identical over the past year. OSPB expects Colorado’s unemployment rate to continue to fall in 2022, down to an annual average of 3.7 percent, as the effects of expanded unemployment benefits and stimulus payments on household savings decline, and concerns about COVID-19 decline after the recent peak in cases. Additionally, OSPB expects that strong labor demand and healthy wage growth will cause more unemployed people to move into employment going forward.

Colorado’s labor force participation rate sits at 68.5 percent in January, just below its pre-pandemic level of 68.9 percent. This is in contrast to the U.S., whose labor force participation rate is still 1.1 percentage points below its pre-pandemic level, at 62.3 percent. OSPB expects the labor force participation rate to stay fairly flat moving forward as some workers have left the labor force indefinitely due to structural changes caused by the pandemic, as well as a growing share of the population being of retirement age. The lower labor force participation rate reduces the available labor supply for businesses, which exacerbates the labor shortage. Some common

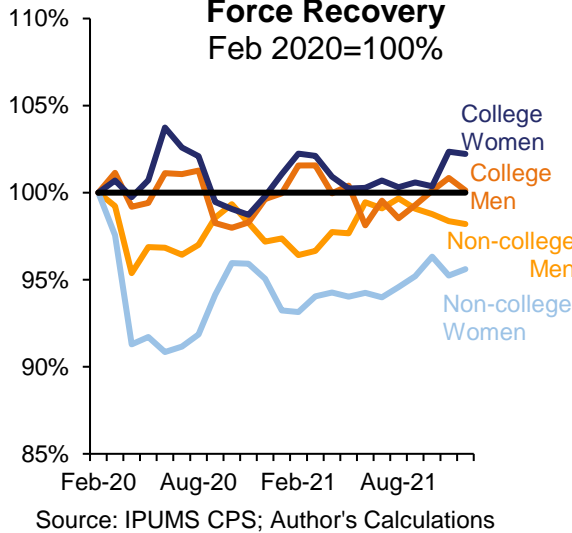
explanations for the labor shortage include an increase in the number of people retiring or staying retired, childcare constraints, and virus concerns.

Access to childcare has been cited as a significant reason for the decline in labor force participation, particularly among women. As kids were more likely to attend school remotely and access to child care became more difficult or inconsistent, many women dropped out of the labor force. According to Tuzeman (2021),<sup>2</sup> prime-age women without a college degree have seen the slowest recovery in the labor force participation rate compared to women with a college degree and men with or without that degree. Additionally, they find that Hispanic women and non-Hispanic Black women without a college degree who have children have been slower to return to the labor force than their non-Hispanic white counterparts, suggesting that childcare concerns are a greater obstacle on average for mothers of color than for white mothers.

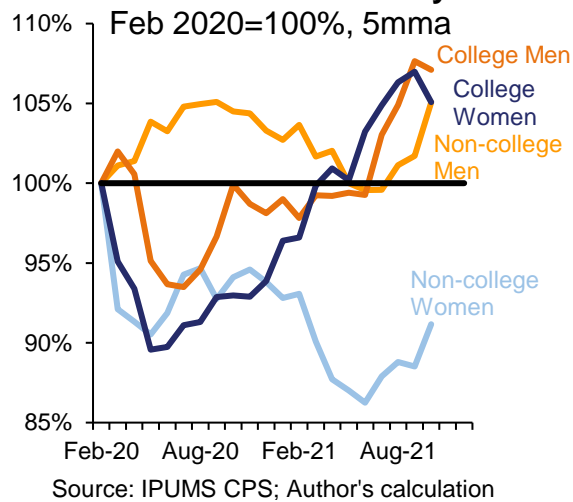
**Figure 8. Labor Force Participation Rate U.S. vs CO**



**Figure 9. US Primeage Labor Force Recovery Feb 2020=100%**

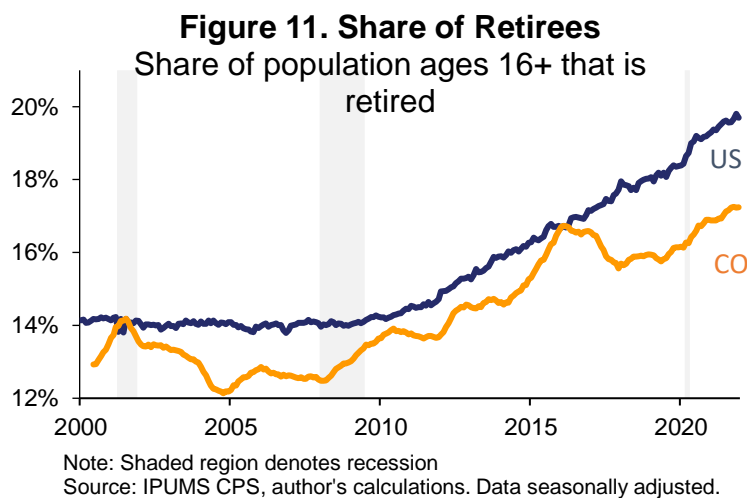


**Figure 10. CO Primeage Labor Force Recovery Feb 2020=100%, 5mma**



<sup>2</sup> Tuzeman, Didem. 2021. "Women without a College Degree, Especially Minority Mothers, Face a Steeper Road to Recovery." Federal Reserve Bank of Kansas City. <https://www.kansascityfed.org/research/economic-review/women-without-a-college-degree-especially-minority-mothers-face-a-steeper-road-to-recovery/>

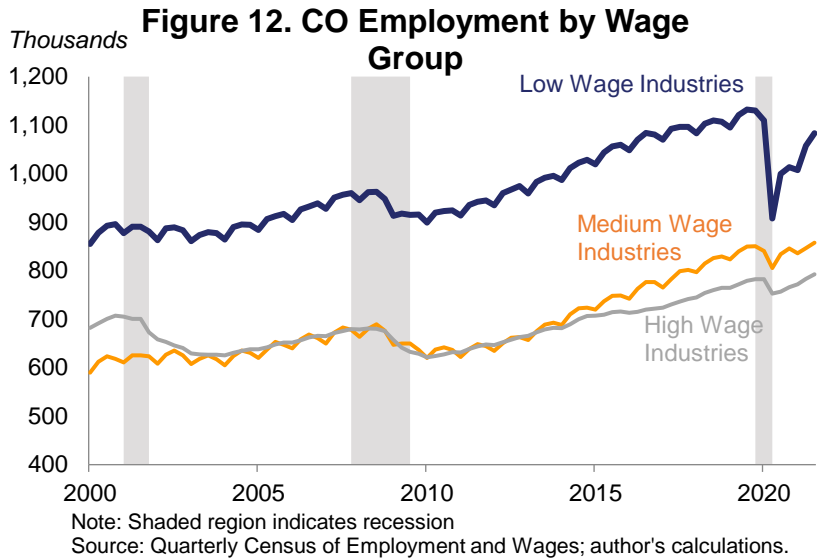
Figures 9 and 10 show the current labor force as a percentage of the February 2020 labor force, by sex and educational attainment for the U.S. and for Colorado. In the U.S. the size of the labor force for college men and women is slightly higher than it was pre-pandemic, and for non-college men it is just below pre-pandemic levels. In contrast, the number of non-college women in the labor force is roughly five percent below pre-pandemic levels. In Colorado, however, the labor force for college men, college women, and non-college men is over five percent larger than it was before the pandemic. At the same time, the gap for non-college women is even greater in Colorado, with the labor force nine percent smaller than it was before the pandemic. This means that the majority of the prime-age labor force has fully recovered, but women without a college degree are lagging significantly behind. This may be an indication that childcare concerns are greater in Colorado than in the rest of the nation.



Another cause for lower labor force participation is an increase in retirees as asset prices have increased and virus concerns remained throughout the pandemic. The share of retirees in the population has been growing over the past decade as the population ages, but this trend picked up early in the pandemic. This increase in retirements is likely to be a more permanent change to the labor force as retirees are less

likely to return to work in the future. Figure 11 shows the share of retirees in the U.S. and Colorado over time, showing that both the U.S. and Colorado saw an increase of roughly one percentage point in the share of retirees during the pandemic. Colorado's lower share of retirees overall is attributable to its younger population.

Additionally, employment gains in Colorado have varied by wage groups over the past two decades, but particularly during the pandemic. During the expansion following the great recession, low-wage industries added the most jobs, followed by medium-wage industries. During the pandemic, high- and medium-wage industries only had minor impacts on employment and have more than fully



recovered in this data. Conversely, low-wage industries saw major drop-offs in employment early in the pandemic and have recovered only 79 percent of jobs lost by the third quarter of 2021. The trend in low-wage employment during the pandemic is driven primarily by the leisure and hospitality sector, which has reported widespread labor shortages as businesses struggle to find workers, despite offering bonuses and raising wages.

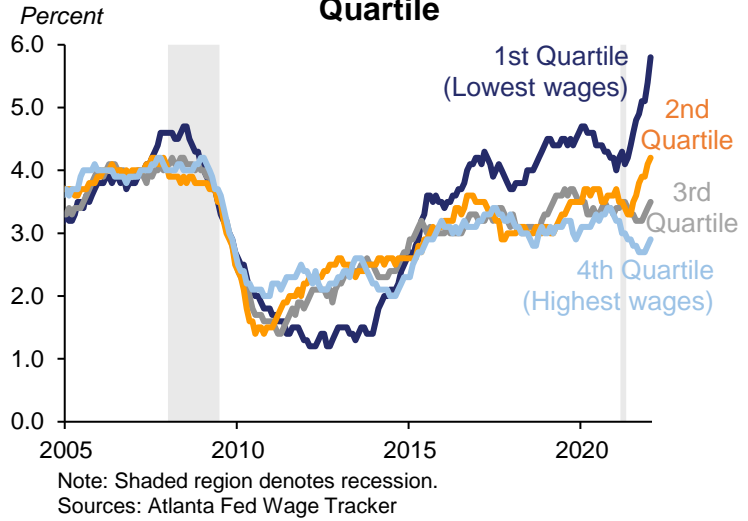
## Wages and Income

Wage growth was particularly strong in 2021 as the labor shortage caused businesses to compete for workers by raising wages and salaries at a faster pace than historical trends. The Employment Cost Index (ECI) measures wages and salaries for a fixed basket of jobs. Growth in the ECI dropped at the start of the pandemic as labor demand fell sharply but came in historically high in 2021. Prior to the pandemic, wages and salaries were growing at a rate of roughly 3 percent annually. The year-over-year percent change in the ECI in 2021 was historically high, coming in at 5.0 percent at the end of the year. This high wage growth should help households keep up with rising prices due to inflation but may also contribute to inflation as high labor costs get passed on to consumers through higher prices. OSPB expects wage growth to remain high but revert towards normal growth by the end of 2022, as the Federal Reserve policy actions begin to lower labor demand, though not enough to converge with supply. The resulting labor market imbalance still favors workers seeking high wage increases, but less so than the current environment.



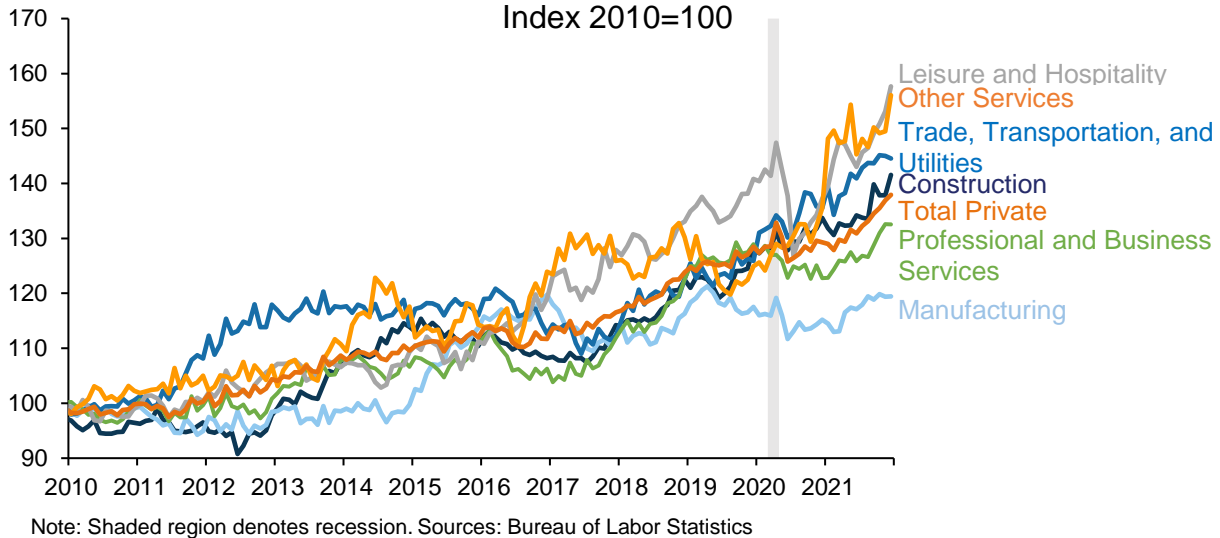
Wage growth has not been uniform across all groups. The Federal Reserve Bank of Atlanta calculates wage growth for each quartile of wages. The first and second quartiles with lowest wages experienced the biggest hit to wage growth during the Great Recession, but they have recovered since and have had the highest wage growth out of all four quartiles since 2015. This trend picked up in 2021. All four wage quartiles have seen some acceleration in wage growth in the second half of 2021, but the group

**Figure 13. U.S. Wage Growth by Wage Quartile**



with the lowest wages has seen the greatest, reaching wage growth of 5.8 percent in January 2022. Although the lowest wage earners have seen the highest wage growth over the past year, these workers have also experienced the biggest decline in employment and labor force participation, particularly early in 2020, and have been the slowest to return to the labor force. However, OSPB expects that rising wages in the lowest quartile will encourage workers to rejoin the labor force, thereby improving the employment recovery for this group going forward.

**Figure 14. CO Average Hourly Earnings by Industry**  
Index 2010=100

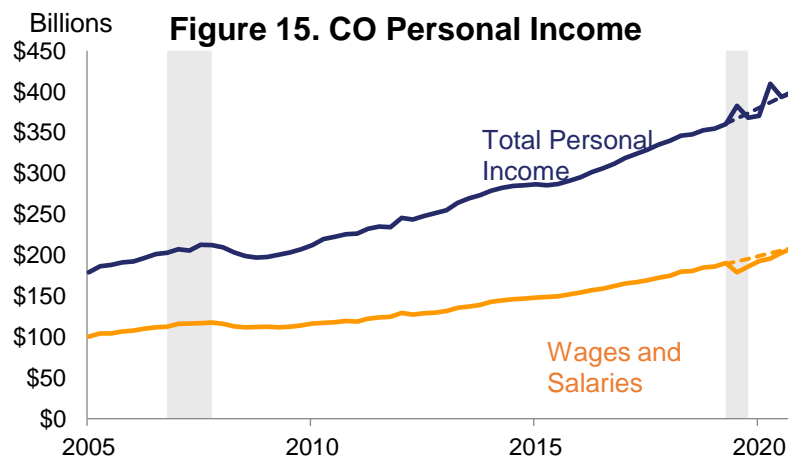


High wage growth for the lowest wage earners can be attributed to the variation in wage growth across industries. In Colorado, Leisure and Hospitality has had the highest wage growth (measured by Average Hourly Earnings) in percentage terms since 2010. This is significant because Leisure and Hospitality is the lowest-wage sector in the state and makes up a significant

share of employment. Similarly, Trade, Transportation, and Utilities and Other Services are the next lowest wage sectors and have experienced above average wage growth since 2010. Wages in this sector, among others, have risen above trend during the pandemic as businesses compete over a limited labor supply. Separately, Professional and Business Services and Manufacturing are two of the highest wage sectors with the lowest wage growth.

**Personal Income**

Total personal income remains elevated over its pre-pandemic level, even after the pandemic government benefits have declined with the end of enhanced unemployment benefits and household transfers. Wages and salaries—the largest component of personal income—continued to rise steadily through the third quarter of 2021 as wages grew at a rapid pace. Notably, total wages and salaries in Colorado has exceeded the pre-pandemic trend, despite total employment remaining below its pre-pandemic level. In addition to wage growth, high inflation and asset appreciation in 2021 also contributed to strong growth in personal income throughout the year.



Note: Shaded Region indicates recession  
 Source: U.S. Bureau of Economic Analysis

Personal income ebbed and flowed during the pandemic largely with the receipt of household stimulus checks in 2020 and early 2021. These transfers also resulted in a higher savings rate during these periods, and a higher level of savings overall particularly as households were unable to spend on services. Spending on goods and services was very strong by the

end of 2021 as households spent off some of these excess savings, leaving consumer checking accounts only slightly higher than pre-pandemic by September of 2021.<sup>3</sup> Higher income households were more likely to have more savings relative to pre-pandemic levels, particularly as lower income households were more likely to have lost their jobs during the pandemic and have a higher propensity to consume. OSPB expects personal income growth to remain strong through 2022, primarily driven by growth in wages and salaries and above-trend inflation.

<sup>3</sup> Greig, Fiona, Erica Deadman, and Tanya Sonthalia. 2021. “Household Cash Balance Pulse: Family Edition.” JPMorgan Chase Institute. <https://www.jpmorganchase.com/institute/research/household-cash-balance-pulse-families>

## Energy

The energy sector recovery from the pandemic-induced drop in demand has been slow, despite prices increasing steadily over the past six months, as oil inventories and spare capacity remain low while demand increases. Recovery now faces significant upside risk and volatility with the ongoing conflict in Ukraine, which threatens the supply of oil and natural gas to Europe. Prices have spiked, however, it will take time to determine what levels prices will reach and whether production levels, particularly in Colorado, will follow the upward price trend.

**Figure 16. WTI Prices per Barrel**

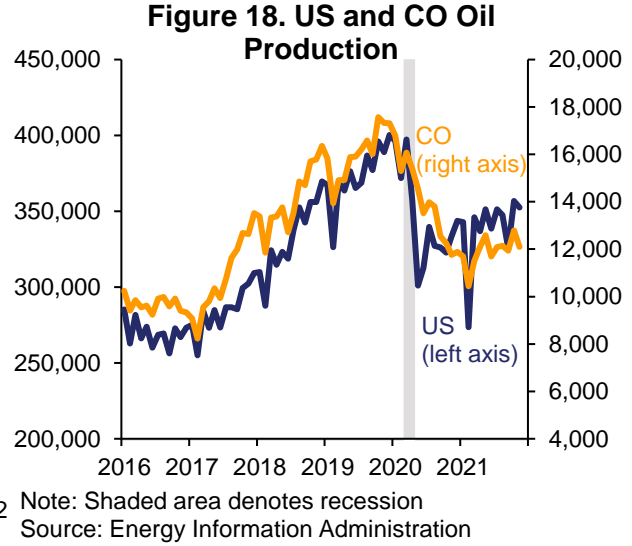
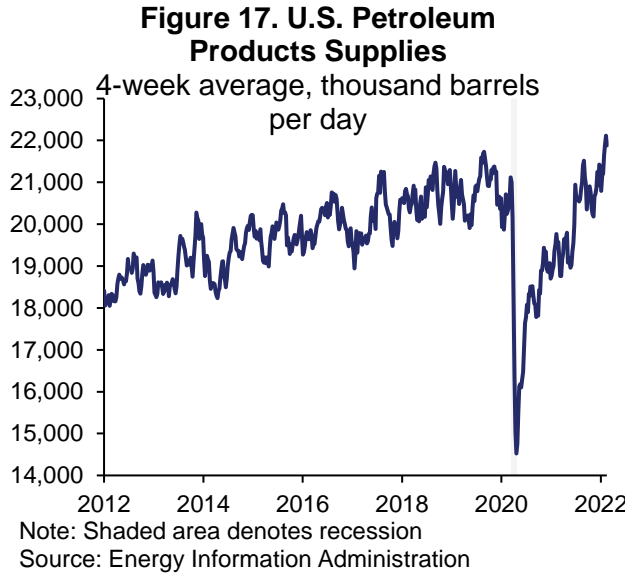


Note: Shaded area denotes recession

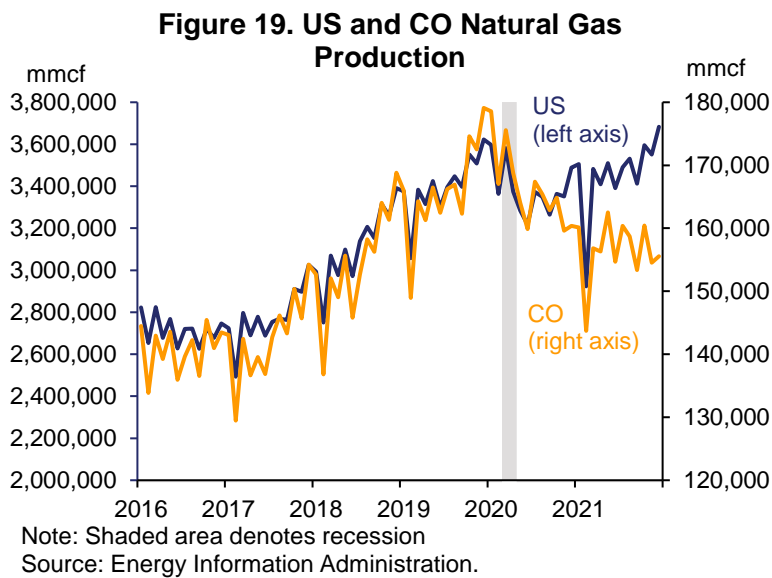
Source: Energy Information Administration.

Oil demand, as measured by U.S. petroleum products supplied, surged over the last nine months (Figure 17) hitting its highest level over the past ten years in February 2022, as latent economic activity regained momentum over the summer. Travel, commutes, the purchase of consumer and intermediate goods all drove prices up to levels not seen since 2014. The conflict in Ukraine has put further upward pressure on both oil and natural gas prices, with some trade routes already cut off. Russian energy producers have only officially sanctioned by the U.S., but in practice many countries and firms are cutting ties with Russian energy. In 2020, Russia was the world's third largest producer of petroleum and the second largest producer of natural gas, supplying much of Europe with most of its energy.

West Texas Intermediate oil prices per barrel, the benchmark for U.S. oil, ended at \$106.80 for the week on March 5, while Henry Hub Natural Gas prices ended at \$4.57, a 71.5 percent and 63.8 percent increase year-over-year, respectively. The expectations for WTI prices per barrel for 2022 are \$105 and \$87 for 2023, although a significant amount of volatility is expected depending on how the conflict in Ukraine proceeds. Henry Hub natural gas prices, per MMBtu, are expected to end at \$4.00 in 2022 and \$3.85 in 2023, which is also subject to significant uncertainty and volatility.



Oil and natural gas production in Colorado peaked before the pandemic, falling by 24.7 percent and 11.4 percent, respectively, between March 2020 and December 2021. The drop in production has been more pronounced in Colorado than in the U.S., which has seen more of a rebound in production levels. U.S. natural gas production exceeds pre-pandemic levels as of December 2021, while U.S. oil production did not drop as far as Colorado’s levels but has also not rebounded to pre-pandemic levels. The drilling rig count typically serves as a leading indicator of both oil and gas production of shale wells, which may be an ominous sign for production in 2022. Drilling rates typically lag increases in prices by about four to five months, as seen in Figure 16 above. WTI prices per barrel hit pre-pandemic levels in April 2021, but even as of March 2022, Colorado rig counts are only at 70 percent of their pre-pandemic levels.



These data indicate that production levels are not ramping up in accordance with prices, as is typically the case. Investment in drilling and production has been sluggish since the shale boom busted in 2015, leaving energy firms with high debt levels. Currently, companies are hesitant to invest due to the increasing cost of labor and equipment necessary for production, their current debt levels and the financial benefit of reaping higher profits from higher

prices with stable investment levels, and the uncertainty about how long the higher prices will persist. Even if drilling investment picks up, there will be a several month to year lag when the supply will increase enough to mitigate the inflationary pressures from rising demand given the time necessary to drill, refine, and transport. In the meantime, the U.S. administration is releasing strategic oil reserves and negotiating with currently sanctioned nations Venezuela and Iran, as OPEC+ countries have been sluggish to agree to increasing production levels.

## Supply Chains

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Supply chain disruptions continue to remain a major challenge, despite some improvement in the last two months, as these pressures still significantly constrain production and trade. OSPB has identified three major supply chain contributors to the lower-than-anticipated growth: (1) labor constraints, (2) new COVID-19 variant related slowdowns abroad, and (3) shipping difficulties including port congestion and trucking shortages.

Domestic contributors to supply constraints include inventory and labor supply. In the U.S., the Omicron variant increased temporary labor shortages and delayed the rebound from supply-chain disruptions. Unpaid absences from work jumped in the January jobs report, during the worst of the variant outbreak.

In major manufacturing countries abroad, including China, new variant spread risk has been less tolerated thus far than it is domestically. Therefore, the Omicron variant has amplified goods supply shortages, interrupting domestic production and further weighing on inventory accumulation and exports up through the current quarter. Inventory levels are putting increased price pressure on material costs as well, constraining possible profits and further limiting domestic production capacity. Later this spring, however, increases in vaccination rates of foreign trade partners should start to limit the scope for severe supply disruptions.

With regard to international trade delays, congestion at ports likely peaked in early January, when there were a record 109 ships in the port of Los Angeles, according to the Marine Exchange of Southern California. Since that time, congestion has been almost cut in half at that port in part due to reduced congestion during the Lunar New Year slowdown in China. However, part of this decline in congestion at this and other West Coast ports is due to ships diverting to East Coast ports to avoid existing West Coast gridlock. This has further delayed the flow of goods to consumers and continues to place upward pressure on costs. Furthermore, once goods pass through customs, there are additional delays as a result of the transportation and warehousing labor market, though these delays are showing signs of subsiding. The Trade, Transportation, and Utilities labor market sector has had a higher quits rate and higher hires rate than the average industry, due in part to long haul truckers shifting into short haul trucking which may have contributed to further delays in 2021. However, wages in the sector have grown from 3.4 percent to over 6 percent over the course of the year in order to attempt to retain workers, and it appears that this has eased constraints, as seen below.

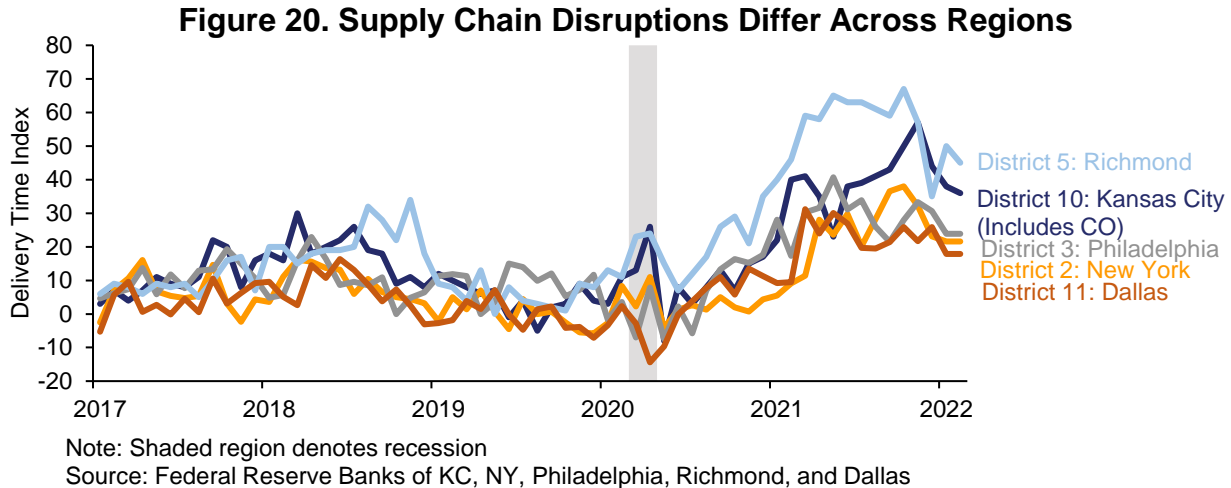
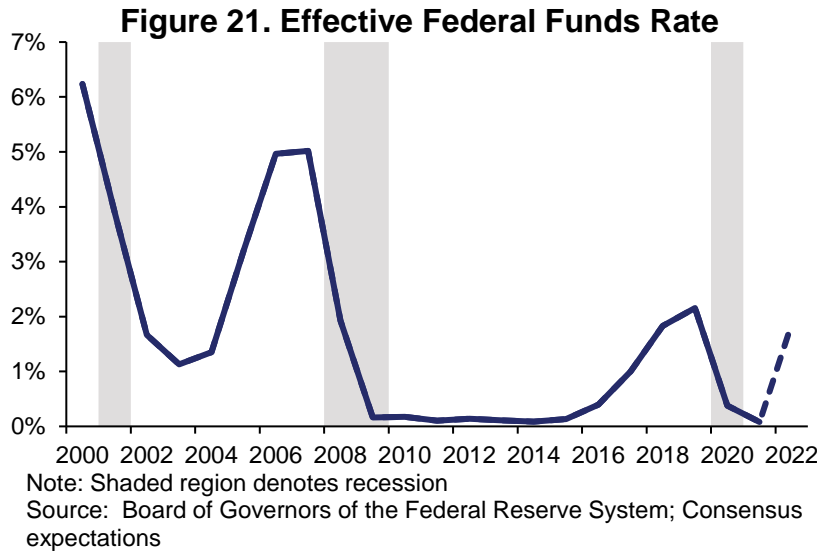


Figure 20 compares the five regional Federal Reserve manufacturing surveys, focusing on the differences in delivery time between the regions since the start of the pandemic. Higher values on the index indicate more respondents are experiencing longer wait times to receive orders than the previous month. During the December forecast, the Kansas City region, which includes Colorado, had all-time highs in longer delivery times, but this has since eased to levels similar to the second quarter of 2021. The local decline over the last three months has been larger than any other region, likely tied to improvements in the transportation and warehousing labor market.

Given additional information since the last forecast, OSPB expects all three contributors to supply chain disruptions to be largely, but not completely, resolved by the end of 2022. International port congestion has already begun to ease and may normalize by the summer of 2022. U.S. labor supply is expected to continue to improve as individuals' excess savings continue to fall, but the future labor market recovery pace will likely be slower than its recent rate. Finally, over the course of 2022, higher global vaccination rates will limit the drag of foreign production constraints pulling down input and final product inventories.

## Financial Conditions

Recent favorable financial conditions have led to very low debt service payments for both the federal government and private firms. The inflationary pressures that have been building over the last few months resulted in an upward revision to the federal funds rate on March 16 of 25 basis points. Given the persistent inflationary pressures in the economy, this first hike will be soon followed by quantitative tightening that is expected to occur more quickly than the period following the Great Recession.



Currently, the consensus expectation is that the Fed will hike seven times this year, which would raise the federal funds target range from 0-0.25 percent to 1.75-2 percent, still remaining below the estimated neutral rate. During the December forecast, the Fed was expected to hike three times in 2022 due to less concern over inflation at that time. The Fed has committed to the pre-pandemic consensus that inflation

generally does not deviate from 2 percent, and consequently, has focused on jobs and not inflation until recently. However, with a now-tight labor market and persistently high inflation, there is uncertainty whether the Fed will pursue a quick response to tamp down inflation expectations. The speed of the future hikes may depend on inflation outcomes in the first half of the year, as entrenched high inflation expectations would require accelerated intervention.

Current expectations from a recent University of Michigan Consumer Sentiment survey show five-year ahead inflation at 3.1 percent, a 10 year high, while the year-ahead inflation expectation increased to almost 5 percent. This resulted in a decline in consumer sentiment as rapidly rising prices are limiting the spending power of consumers despite strong wage growth, as inflation-adjusted wages may fall. Consumers may limit spending behavior on goods purchases as a result, creating a drag on economic growth. OSPB expects this drag to be mild, due to the Federal Reserve’s ability to respond to market conditions flexibly as it implements an appropriate pace of Federal Funds hikes and quantitative tightening policies.

If inflation continues to run above expectations, the Fed may have to consider raising rates more sharply than currently anticipated to choke off inflation growth. Such a tightening could negatively impact the labor market if the relationship between inflation and unemployment, known as the Phillips curve, remains similar to pre-COVID years. OSPB assumes that inflation growth fades over the course of the year, avoiding the need for a more aggressive Federal Reserve hiking cycle than the current consensus expectations of seven hikes in 2022, which would avoid a large drag on employment.

While monetary policy does not directly impact long-term interest rates for mortgages or car loans, there has been a directional impact on rising long-term rates since the Federal Reserve has switched its focus towards inflation containment. Thirty-year fixed mortgage rates now top 4 percent for the first time since the beginning of the pandemic, up from 3.03 percent in mid-September, when many Fed participants called for no hikes in 2022. Additionally, equity markets are likely to have downside risks as rates begin to rise, as the difference between risk-free

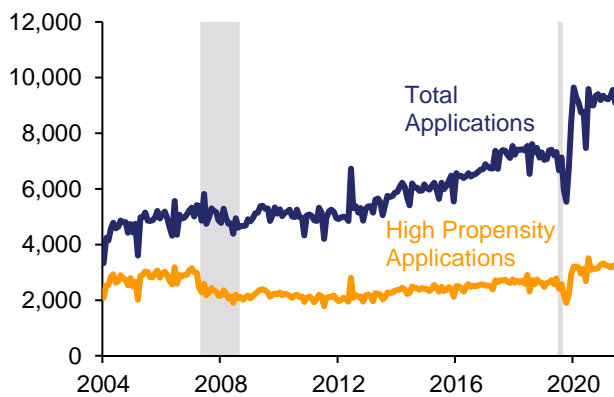
Treasury assets and equity returns shrink. This is expected to limit the growth in personal income not related to wages in 2022.

## Small Business

Small businesses experienced mixed results over the past two years. On the one hand, strong consumer demand for goods vastly increased business sales and profits, and business starts, and the diversity of businesses owners, are up. On the other, many corporate retailers reaped most of the rewards while small businesses without the infrastructure to succeed shuttered. Difficulties persist for both large and small businesses with a tight labor supply, input price inflation, pandemic-induced uncertainty, and supply chain delays.

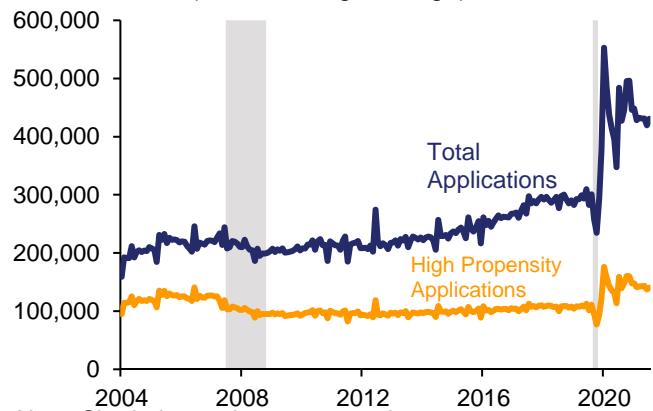
Business formations have performed very well since mid-2020. As Figures 22 and 23 demonstrate, both general business applications and high propensity applications—those that have a “high propensity” to turn into businesses with payroll—rapidly rebounded to record levels after a small initial pandemic downturn in March 2020. Similar trends have not occurred in previous recessions; in fact, during the Great Recession, business applications actually declined. Thus, strong business formation numbers are likely a result of factors that have differentiated

**Figure 22. CO Business Applications**  
(3-Mo Moving Average)



Note: Shaded area denotes recession  
Source: U.S. Census Bureau, Business Formation

**Figure 23. US Business Applications**  
(3-Mo Moving Average)



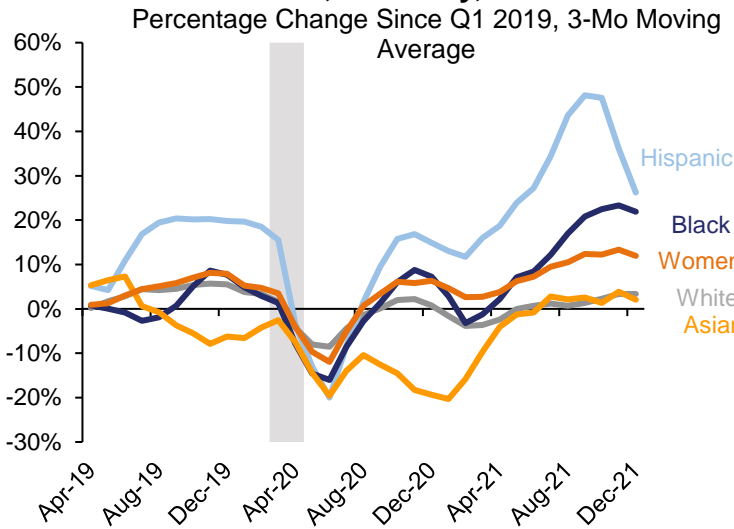
Note: Shaded area denotes recession  
Source: U.S. Census Bureau, Business Formation

the COVID-19 pandemic-induced recession from other recessions, such as substantial growth in non-store retailers, soaring unemployment rates, pandemic-specific innovation, and changes in lifestyles. These new business formations, especially the high propensity applications, are a reason for optimistic economic expectations, as they may create additional job opportunities. Figures 22 and 23 also show that trends have been remarkably similar in the U.S. and Colorado, with the caveat that Colorado applications have increased by a slightly smaller percentage due to a higher baseline as a result of significantly stronger growth in the years leading up to the pandemic.



While the Census Bureau does not collect information on these applications by demographic, the number of business owners identifying as Black, Hispanic, or women has increased significantly at a faster rate than white and Asian-owned (men and women) businesses, which have been relatively more stable.<sup>4</sup> Specifically, Figure 24 shows that the number of Hispanic-, Black-, and women-owned businesses have increased by 26 percent, 22 percent, and 12 percent, respectively, compared to Q1 2019 levels. Over that same period, the number of white-owned businesses has remained effectively flat, up just 3 percent over Q1 2019. As demonstrated by Figure 25, these trends in business ownership correlate with the peak pandemic unemployment rates for each of these groups. For instance, Hispanic individuals, who saw the largest increase in business formation, also experienced the highest peak unemployment rate at 18.8 percent in April 2020 as compared to peak White unemployment of 14.1 percent.

**Figure 24. Business Owners by Race, Ethnicity, Gender**



Note: Shaded area denotes recession  
 Source: Current Population Survey; Analysis of Microdata by Professor Robert Fairlie, UC Santa Cruz.

**Figure 25.**

Unemployment Rates by Demographic			
Demographic	Peak Pandemic Unemployment	Current (February) Unemployment	
Hispanic	18.8%	4.4%	
Black	16.8%	6.6%	
Women	16.1%	3.9%	
Asian	14.8%	3.1%	
White	14.1%	3.3%	

Note: Peak pandemic unemployment rates for each group occurred in either April or May 2020.  
 Source: Bureau of Labor Statistics, retrieved from FRED.

Contrary to these trends in business formation, the broader business environment faces a number of difficulties. January 2022 surveys from the National Federation of Independent Businesses (NFIB) indicate the following challenges related to supply chains, inflation, and labor supply:

- 34 percent of businesses cited either labor costs (11 percent) or labor quality (23 percent) as their top business problem, both at record high levels;

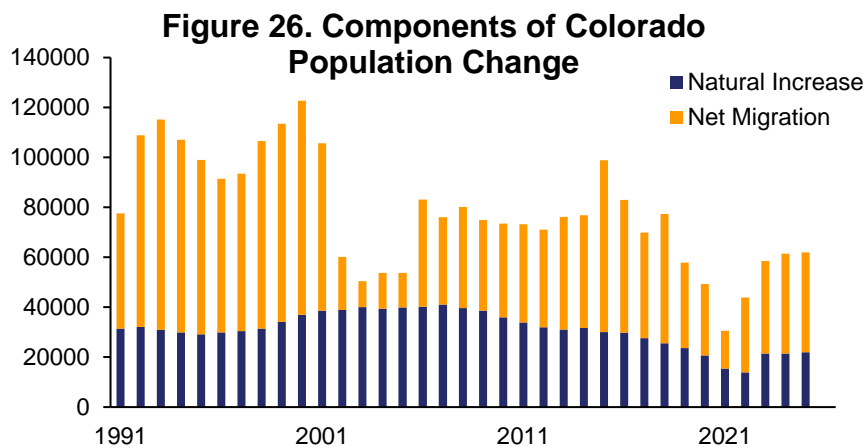
<sup>4</sup> This data comes from an analysis of Current Population Survey employment microdata by Professor Robert Fairlie at University of California Santa Cruz, who in addition to teaching at UC Santa Cruz has testified in front of Congress on numerous occasions related to this small business research.

- 47 percent of owners reported job openings that they could not fill in the current period;
- 50 percent of businesses reported raising compensation in the past three months, also a record high; and
- 61 percent of owners raised average selling prices in the past three months; these price hikes were most prevalent in wholesale, manufacturing, retail, and construction.

Figures 22 and 23 demonstrate that U.S. and Colorado business applications are 52 percent and 34 percent above pre-pandemic levels, respectively. While the economy will likely see positive long-term effects of these new businesses, business formation levels are expected to soften from their pandemic highs through the forecast period. The tight labor market and inflationary pressures will continue to drive up wages, pulling many who became self-employed over the course of the pandemic back into the labor market. Similarly, the easing of supply chain pressures, Federal Reserve interest rate hikes, and labor market stabilization will eventually ease many of the pressures cited above.

## Demographics

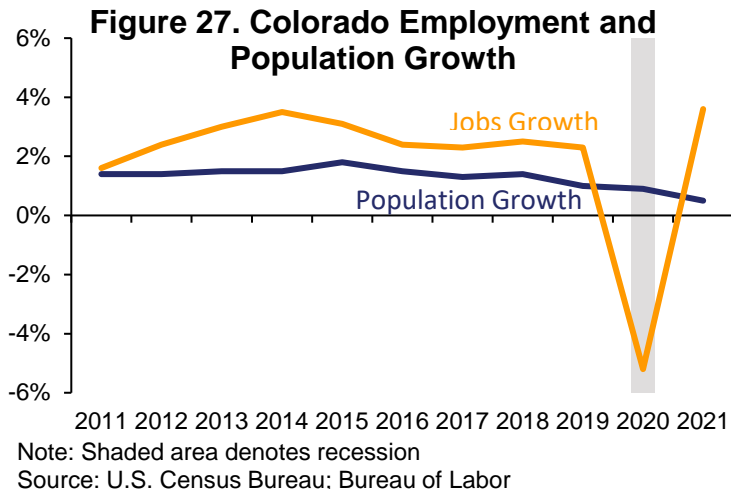
The changing shape of the Colorado population is an important factor driving the economy and



Source: Colorado State Demography Office

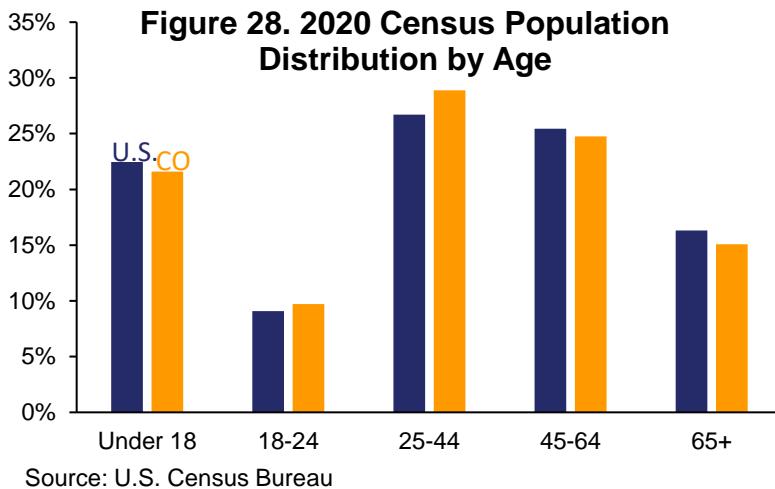
state government resource allocation decisions alike. Germane to considerations around revenue forecasting, the TABOR cap growth calculation depends on the sum of inflation plus population growth. Population growth is slowing, which will decrease allowable revenue growth under the cap.

Population growth is slowing largely due to decreasing birth rates. In 2020, births hit an all-time low, below a 1.5 percent total fertility rate in Colorado and 1.6 percent for the U.S. A slowing birth rate has already begun to have an impact on declining expected pupil counts, which feed into the school finance formula. Furthermore, this trend will begin to have an impact on the labor force in five to six years and continue to be an additional drag on the availability of labor thereafter.



A more immediate contributor to slowing population growth is the moderation of net migration. The migration slowdown into Colorado can be explained by both domestic and international drivers. Domestic migration has slowed as the state has become more expensive than some of its competitors. Meanwhile, international migration, which accounts for about a fifth of total state migration, has tempered due to changes in national immigration policy and the pandemic.

Overall population dynamics are highly correlated with the labor force, especially during calmer economic times. From 2011-2014, jobs growth was increasingly outpacing population growth due to recovery in the unemployment rate after the Great Recession. However, in recent years, labor force growth has started to moderate, in line with that broad population growth trend.



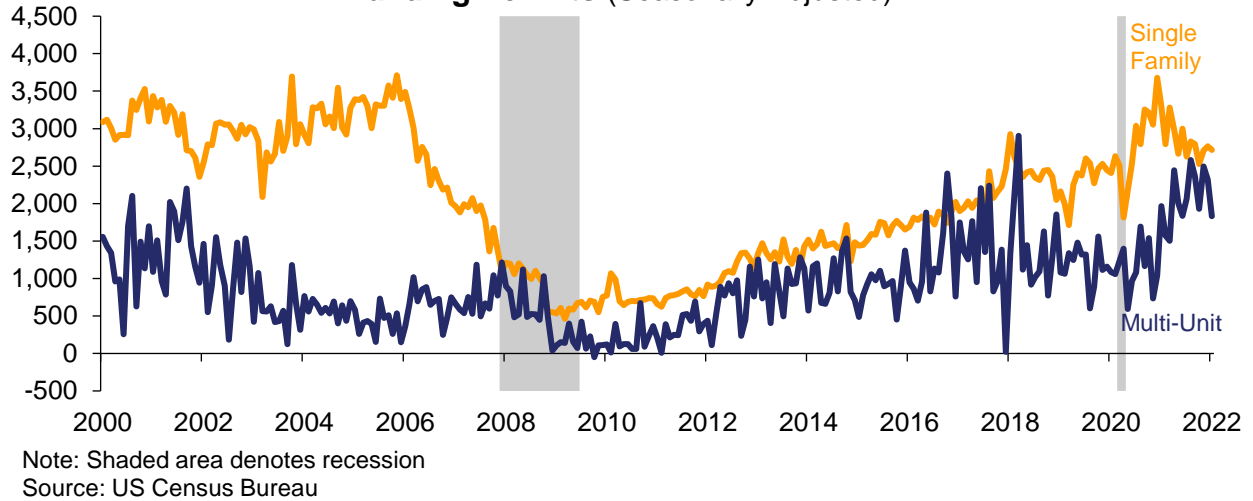
In the coming years, population growth is expected to remain below historical averages of the last 30 years. This is primarily due to a continuation of the trend of slowing natural increase in population, calculated as births minus deaths. The future of net migration growth provides more uncertainty, and largely will depend on the future path of U.S. international migration policy.

## Housing and Rental Market

Colorado housing construction was strong at the beginning of 2021 before dropping off, potentially due to rising labor and material costs. Nationally, construction material prices have increased 41 percent between November 2020 and January 2022, according to the Bureau of Labor Statistics. Single-family home construction has dipped since reaching historic highs in December 2020; however, this has been partially offset by a significant increase in multifamily

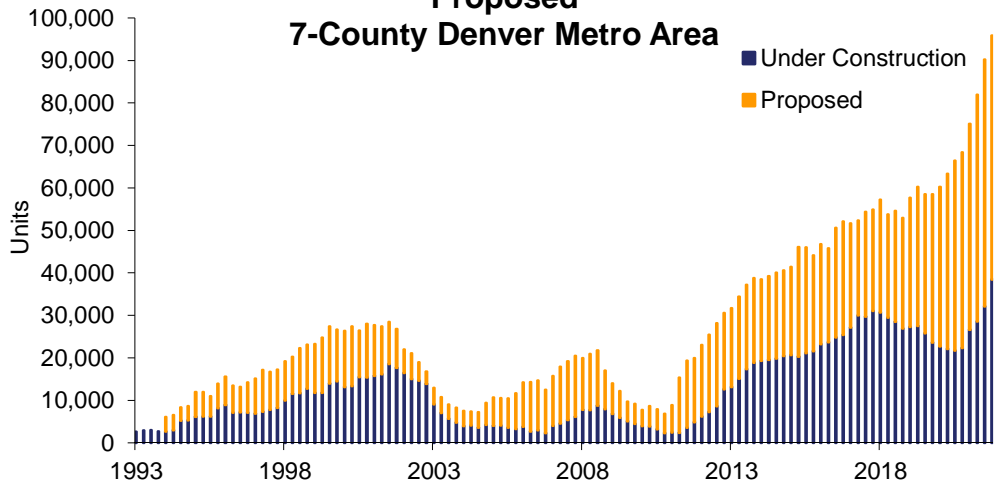
building. As of January 2022, 47 percent of permits issued in Colorado have been for multi-unit construction, well above the monthly average of 26 percent since data was compiled in 1988.

**Figure 29. Colorado Private Housing Units Authorized by Building Permits (Seasonally Adjusted)**



Metro Denver has especially seen an increase in building permits, which increased from 22,700 in 2020 to 36,500 in 2021, the highest level since 1972, mainly due to growth in apartment permits. At the same time, the time it takes to build an apartment complex has increased significantly, from under 19 months in 2010 to 29 months in 2021 in Metro Denver, potentially due to increased costs, more neighborhood opposition, and slower permit processing times at city planning departments.

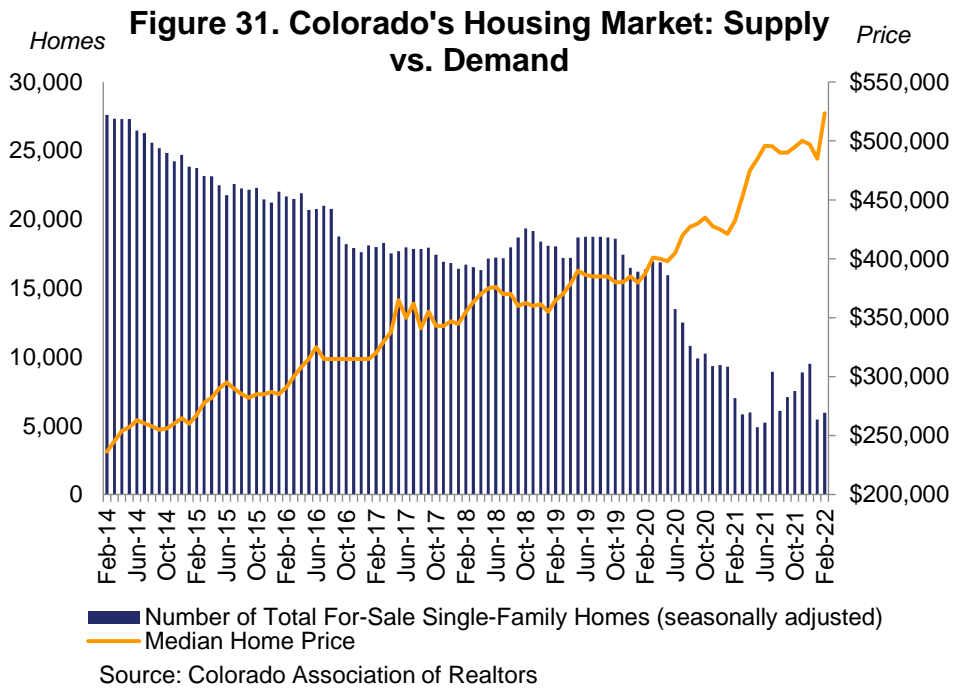
**Figure 30. Apartments Under Construction + Proposed 7-County Denver Metro Area**



Delays in housing supply, combined

with continued elevated demand in Colorado has led to an inventory shortage. Just 5,162 homes were listed for sale in January, by far the lowest monthly total since the Colorado Association of Realtors began tracking in 2010. Year-over-year, inventory dropped by 44 percent for single-family homes and 67 percent for townhomes and condos. As of January, there is only 0.5 months' worth of inventory on the market in Colorado (0.3 months' in the Denver metro area). According to the Colorado Association of Realtors, a balanced market has a 4 months supply on the market at once.

This has resulted in Colorado home prices recently reaching their highest values ever in February, with the median selling price of a single-family home and townhouse/condo reaching \$556,000 and \$402,000, respectively. Year-over-year, these median prices have increased by 19 percent for single-family homes and 17 percent for townhomes and

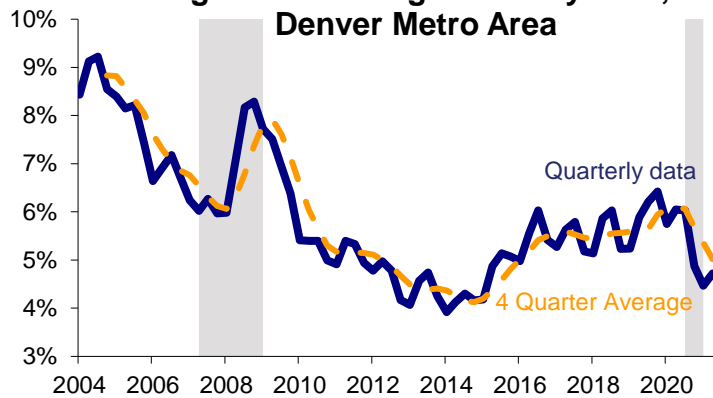


condos, a trend which is expected to increase further as buyers look to close before expected interest rate hikes, those impacted by the Marshall Fire look for replacement homes, and out-of-state residents continue to purchase homes in mountain communities. And while historically weak population growth in the state may eventually dampen future price increases, demand looks set to remain high since the biggest single age cohort in Colorado is 30 years old, just four years before the average age someone buys their first home. As of the fourth quarter of 2021, median home prices in Denver and Colorado Springs were 13th and 30th highest, respectively, out of the 184 largest cities in the US.

According to a recent study, the Colorado rental market fared relatively well during the pandemic, with 77 percent of their rent payments being paid in full in December 2020, which increased to 88 percent one year later in December 2021. At both points in time Colorado landlords had the highest full rent payment rate in the country.

For apartment listings, vacancy rates are at relative lows in many parts of the state, making it difficult for would-be-renters to find units and putting upward pressure on rents. As of January, Metro Denver, Colorado Springs, and Pueblo’s respective vacancy rates were 3.8 percent, 3.6 percent, and 2.3 percent, compared to the national average of 5.6 percent, the lowest national level since 1984 (vacancy rates include units being prepared for the next tenant). According to the Colorado Apartment Association, a vacancy rate of about 8 percent is required to prevent rent growth, and 2-3 percent essentially means no vacancies due to a small amount of units always being prepared or refurbished.

**Figure 32. Average Vacancy Rate, Denver Metro Area**



Note: Shaded region denotes recession.

Source: Apartment Appraisers & Consultants and Apartment Insights

The build-to-rent (BTR) market continues to grow as investors pile into the sector and the pandemic increases the number of renters demanding more space and privacy. The top five Colorado cities with the most single-family home rentals are Greenwood Village (300), Littleton (280), Thornton (240), Aurora (160), and Brighton (140). In fact, the Denver Metro area ranks 18th on a list of the top 20 US metro areas with the most BTR homes according to a recent study. While BTR and single-family rentals comprise a

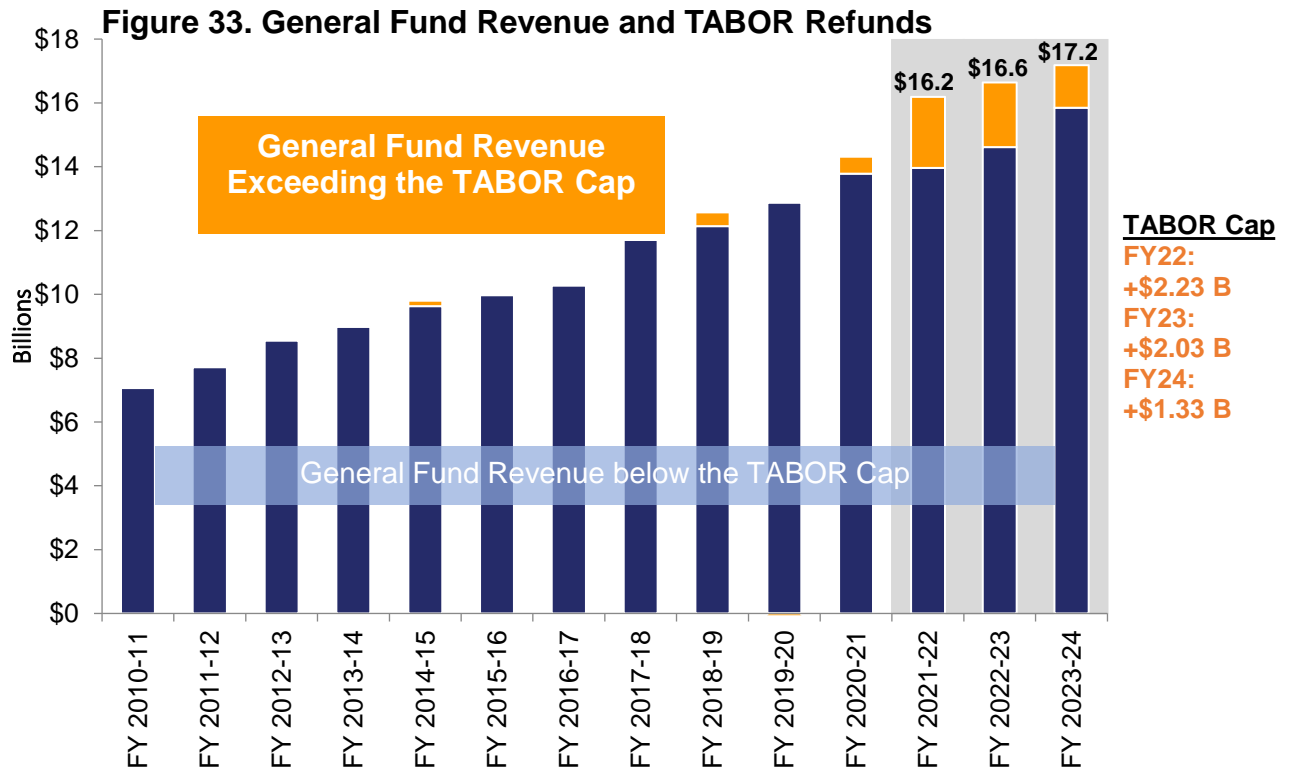
relatively small share of the overall rental market and a significant percentage of them eventually become owner-occupied, we expect this trend to continue, potentially diverting some home construction that would otherwise result in sales. Nationally, detached homes (properties with a free-standing residential building) have experienced significantly larger rent growth than attached homes as would-be homebuyers who want the space traditionally associated with a single-family home currently find it difficult to purchase.

## Forecast Risks

There is upside risk to the forecast as consumers are more tolerant of high inflation and dip into excess savings instead of reducing demand. Additionally, the Fed may be able control inflation quickly, boosting confidence in the economy. However, there is more than offsetting downside risk to the forecast due largely to inflationary pressures. Overall, inflation has become broad-based instead of largely driven by supply-constrained goods. That being said, extended supply chain disruptions remain a drag on growth longer than previously expected. Additionally, the geopolitical conflict in Ukraine will push up food and energy prices, with potentially lasting effects that could leave inflation higher for longer. If inflation expectations are not contained, there is the possibility of a wage-price spiral, though OSPB currently considers the risk low. Finally, as the Federal Reserve raises rates to ease inflation, there is a small risk that an aggressive hiking cycle unfolds, which could lower consumer demand more than anticipated.

# Revenue Outlook – General Fund

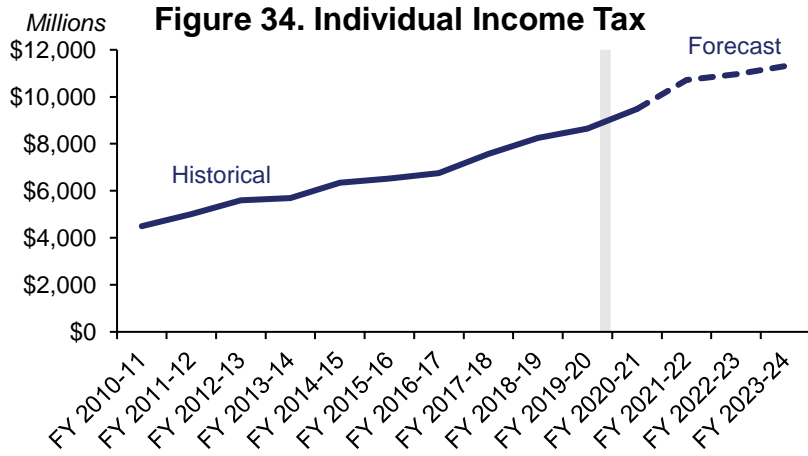
General Fund revenue is projected to increase to \$16.2 billion in FY 2021-22, a 13.1 percent change from the prior fiscal year. The projection for FY 2021-22 is \$205.9 million higher than the December forecast. The growth rate is expected to moderate to 2.8 percent in FY 2022-23 and 3.2 percent in FY 2023-24, though these are still upward revisions of \$344.7 and \$247.6 million respectively. The upward revisions to the forecast horizon reflects continued strong growth in wages and retail sales.



General Fund revenue is projected to exceed the TABOR cap in the current fiscal year and throughout the forecast period. Revenue is expected to exceed the cap by \$2.229 billion, which is \$233.1 million more than forecasted in December. General Fund revenue above the cap is projected to be \$2.029 billion in FY 2022-23, and \$1.328 billion in FY 2023-24.

## Individual Income Tax

Individual income tax receipts in FY 2021-22 are projected to increase by 13.1 percent compared to the prior fiscal year to \$10.7 billion. This reflects an upward revision from the prior forecast of approximately \$213.9 million. Aggregate wages and salaries, which have been revised upward by \$1.5 billion in 2021 and \$7.9 billion in 2022 compared to the prior Colorado economic forecast, strongly impact the withholdings estimate within this revenue stream. In FY 2022-23 and FY 2023-24, individual income revenue growth is expected to moderate to 2.5 percent and 3.2 percent. Expected trends in estimated payments and cash with returns relative to the previous forecast limit further growth, but are more than offset by relatively strong withholdings.



Note: Shaded region denotes recession.  
Source: Colorado Department of Revenue; OSPB

Individual income tax receipts have exhibited resilience throughout the pandemic and recovery. This is particularly true of individual income tax withholdings, which account for more than 80 percent of net individual income tax receipts. Tax withholdings are closely tied to aggregate wages and salaries, which have recovered relatively well, despite slow recovery in certain sectors of Colorado’s economy. One reason for this is the economic sectors with the highest wages and salaries—and thus the largest contribution to individual income taxes—have not been as severely impacted as other sectors. Furthermore, as referenced in the Economic Outlook section under Labor Market and Wages, high wage sectors are adding jobs at a faster rate than lower wage jobs, while the lowest wage jobs are experiencing the largest growth in average weekly salary. Wages and salaries were revised up by 3.1 percent in 2022 this forecast due to these trends, which are expected to contribute to a 2.5 percent upward revision in withholdings resulting in 13.5 percent growth in FY 2021-22. As wages and salary growth is expected to decline towards historical growth rates, withholdings growth follows suit with 7.6 percent growth in FY 2022-23 and 3.5 percent in FY 2023-24.

Meanwhile, estimated payments are revised down from the previous forecast as small business growth is expected to have already peaked, though creation is expected to remain at an elevated level. Current increasing wages and material input costs are a drag on new businesses as those same growing wages tempt individuals back to work at larger firms. Profits and earnings for small businesses also fade in the face of slightly depressed aggregate demand, which impact expected earnings of small businesses and C-corps alike. Estimated payments in FY 2021-22 are expected



to grow by 8.3 percent, a \$124.5 million reduction since the December forecast. Similar to corporate revenue, individual estimated payments are expected to decline by 7.7 percent in FY 2022-23.

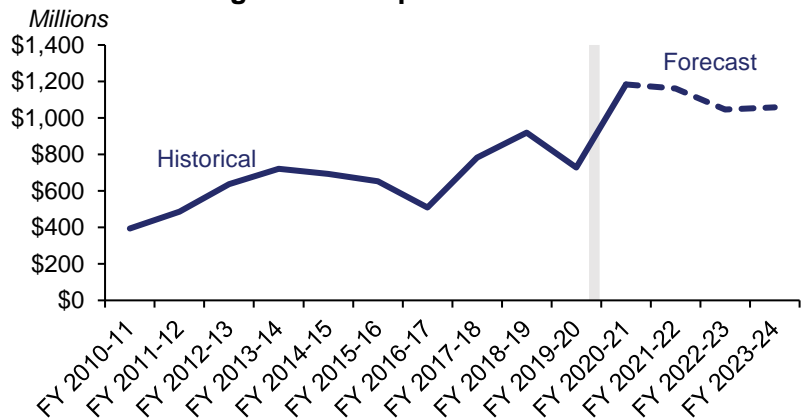
Finally, cash with returns and refunds are expected to drop 3.6 and 5.5 percent respectively in FY 2021-22. Cash with returns are expected to continue to moderate back towards historical averages, declining by 12.5 percent then 1.3 percent in the out years. Expected refunds, however, increase by 4.4 percent in FY 2022-23 and then stabilize below \$1.7 billion.

## Corporate Income Tax

In FY 2020-21, corporate income tax revenue set a record of \$1,183.7 million on the heels of government support and record corporate profits. In FY 2021-22, corporate income tax receipts are projected to fall by 0.6 percent from these historic highs as corporate profits decelerate at the start of 2022. Corporate profits are expected to decline slightly in 2023 as rising inflation and interest rates slows aggregate demand, resulting in another drop of 9.9 percent in FY 2022-23. Finally, in FY 2023-24, corporate tax revenues are projected to grow by 0.9 percent and total \$1,057.4 million.

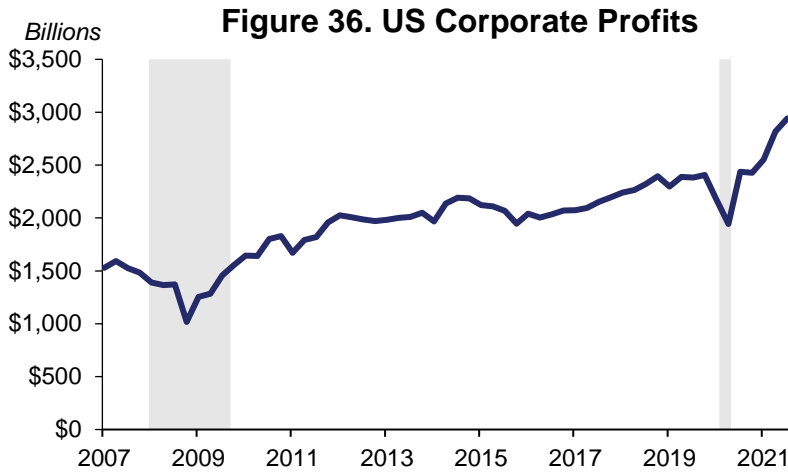
Corporate profits are the largest and most direct driver of corporate income tax revenue. In the third quarter of 2021, corporate profits nationwide hit a new record high of \$2.94 trillion. Previously the record was \$2.41 trillion, but that mark has been broken five times since the beginning of the pandemic. Furthermore, corporate profits have not just kept up with rapidly growing GDP, they are increasing as a share of GDP. The third quarter of 2021 was the highest share of gross domestic product derived from corporate profits going back to 1950. As businesses try to retain workers,

**Figure 35. Corporate Income Tax**



Note: Shaded region denotes recession.

Source: Colorado Department of Revenue; OSPB



Source: Bureau of Economic Analysis

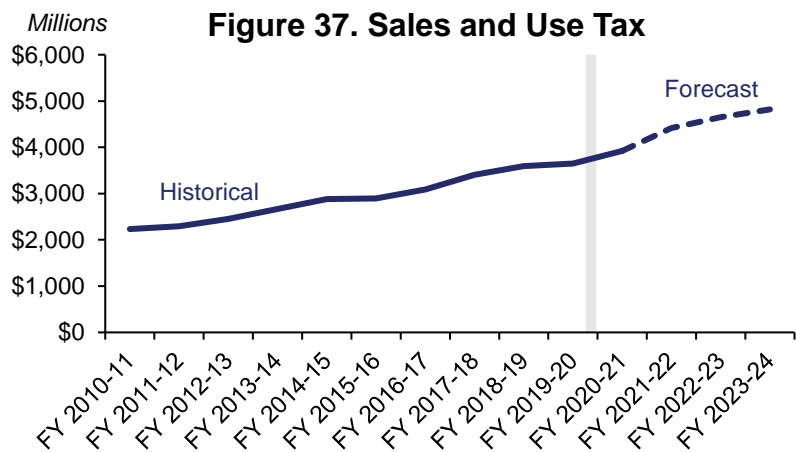
they may have to dip into a portion of these profits. OSPB assumes corporations will be able to sustain healthy profits as investors reward companies that have re-priced goods to account for higher wages and inputs. However, these business decisions impact the shape of the corporate revenue forecast, as increased compensation still lowers C-corp profits creating a small drag on revenue.

Since the December forecast, expectations for corporate revenue were revised up slightly in FY 2021-22, by \$29.0 million, as profits have remained strong and collections to date have been in line with expectations. However, FY 2022-23 and FY 2023-24 projections were revised down by \$25.9 million and \$61.7 million, respectively, due to downward revisions in U.S. corporate profit expectations in the out years as a result of business decisions and inflationary and interest rate pressures limiting earnings potential.

## Sales and Use Taxes

### Sales Taxes

Sales tax revenue grew 6.9 percent in FY 2020-21 and is expected to grow by an additional 14.5 percent in FY 2021-22 before slowing to 5.5 percent growth in FY 2022-23. Relative to the December forecast, the projection for FY 2021-22 was revised upward by approximately \$72.4 million to \$3.913 billion. The projections for FY 2022-23 and FY 2023-24 were also revised upward by \$130.2 million and \$146.6 million to \$4.127 billion and \$4.279 billion, respectively. These growth rates and revisions are consistent with our expectations for the Colorado retail sales forecast in our economic forecast tables, wherein the projected nominal calendar year growth rates of 16.5 percent in 2021, 7.8 percent in 2022, 4.1



Note: Shaded region denotes recession.

Source: Colorado Department of Revenue; OSPB

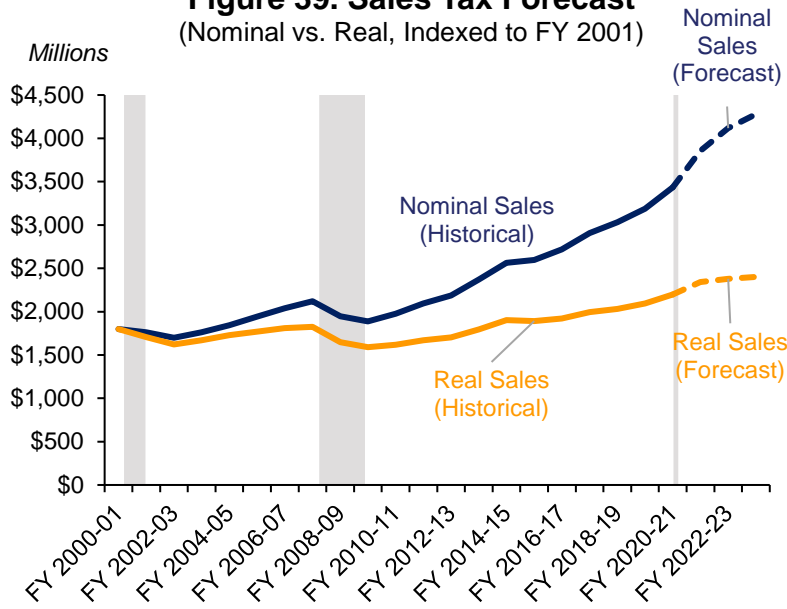
percent in 2023, and 3.5 percent in 2024.

These forecast projections include policy adjustments to reflect recent legislative action not yet incorporated into the broader sales tax trends, including: HB 21-1312, HB 21-1265, HB 21-1261, and SB 21-229. These adjustments amount to -\$27.6 million in FY 21-22, +\$22.6 million in FY 22-23, and +\$30.8 million in FY 23-24.

Near term revisions are consistent with a continuation of elevated durable and nondurable goods consumption, prompting strong revenue collections over recent months. However, revisions to the latter half of 2022 and onward are largely due to increased inflation expectations, as the Denver-Aurora-Lakewood consumer price index is now expected to grow by 7.2 percent in 2022 and 3.0 percent in 2023. Figure 38 summarizes the forecast changes on both a nominal and real basis. While nominal revenue growth rates have been revised upward in each year as compared to the previous forecast, real growth has been revised downward in each year. These downward revisions to real growth in sales tax collections reflect the joint effects of lower accumulated savings and higher inflationary pressures on putting downward pressure on durable goods demand over the course of 2022 and early 2023. These expectations are consistent with downward revisions to the U.S. GDP forecast.

<b>Figure 38. Sales Tax Revenue Growth</b>						
<b>Growth Period</b>	<b>Previous Forecast (December)</b>		<b>Current Forecast (March)</b>		<b>Change vs. Previous</b>	
	<b>Nominal</b>	<b>Real</b>	<b>Nominal</b>	<b>Real</b>	<b>Nominal</b>	<b>Real</b>
FY 2021-22	10.5%	6.9%	12.2%	6.5%	1.7%	-0.4%
FY 2022-23	5.0%	2.0%	6.8%	1.6%	1.8%	-0.4%
FY 2023-24	3.6%	1.0%	3.9%	0.9%	0.3%	-0.1%
<b>Average</b>	<b>6.4%</b>	<b>3.3%</b>	<b>7.7%</b>	<b>3.0%</b>	<b>1.3%</b>	<b>-0.3%</b>

**Figure 39. Sales Tax Forecast**  
(Nominal vs. Real, Indexed to FY 2001)



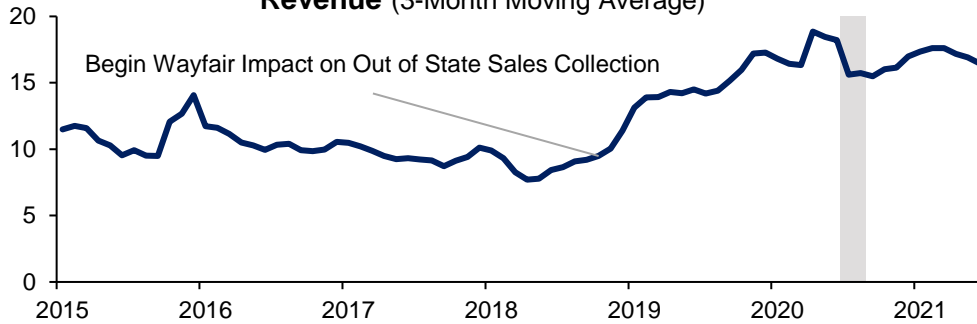
Note: Shaded region denotes recession.  
Source: Colorado Department of Revenue; OSPB

These same themes regarding growth in sales tax revenue are illustrated by Figure 39 showing nominal and real sales tax collections over time. In particular, even after record growth in FY 2021-22, sales tax revenue (the blue line) is expected to continue growth at or around historical trend levels going forward. Meanwhile, once adjusted for inflation (the yellow line), sales tax growth is considerably more flat, and actually below historical trend growth rates. The result is that the gap between observed retail sales tax revenue (nominal) and inflation-adjusted revenue is growing significantly over the forecast period.

**Use Taxes**

Use tax revenue increased 1.8 percent to \$214.2 million in FY 2020-21 after a 39.1 percent decline in FY 2019-20, largely as a result of HB 19-1240 and the collection of sales tax from out-of-state sales vendors. It is expected that use taxes will continue to rebound to \$239.1 million in FY 2021-22 and grow to \$246.0 million in FY 2022-23. These projections are revised upward from the December forecast due to higher revenue in recent months and upwardly revised expectations resulting from continued elevated goods consumption and an expectation that there will be higher levels of capital investment in industries like construction and oil and gas. These projections continue to assume that the trade-off between sales and use tax revenue as a result of HB 19-1240 has largely leveled off as a more normal relationship between sales and use tax collections resumes. This tradeoff between sales and use tax revenue as a result of changes in destination sourcing is demonstrated by the sharp increase in the ratio of sales tax revenue to use tax revenue starting in July 2019, when the impacts came into effect.

**Figure 40. Ratio of Sales Tax Revenue to Use Tax Revenue (3-Month Moving Average)**



Source: Colorado Department of Revenue; OSPB

### Marijuana Sales

After a 27.4 percent increase to \$245.5 million in FY 2019-20, the 15 percent special sales tax on marijuana retail sales increased by another 17.4 percent to \$288.2 million in FY 2020-21. Revenue is expected to decline by 7.6 percent in FY 2021-22 and resume slower growth in FY 2022-23 and FY 2023-24. Further analysis of marijuana tax collections can be found in the Revenue Outlook – Cash Funds section of this report.

### Proposition EE and Other Excise Taxes

Proposition EE and other excise taxes includes taxes on cigarettes, tobacco, nicotine, and liquor. Proposition EE, a ballot measure approved in November 2020, imposes additional taxes on cigarettes and tobacco products and creates a new tax on other nicotine products such as e-cigarettes. Proposition EE taxes went into effect in January 2021. Figure 41 below summarizes the new taxes levied on cigarettes and tobacco through FY 2023-24. Taxes on cigarettes and tobacco will increase marginally in FY 2024-25 and again in FY 2027-28. Additionally, Proposition

**Figure 41. Proposition EE Tax Rates**

Cigarettes	FY 2020-21	FY 2021-22	FY 2022-23
General Fund	\$0.20	\$0.20	\$0.20
Amendment 35	\$0.64	\$0.64	\$0.64
Proposition EE	\$1.10	\$1.10	\$1.10
<b>Total Cigarette Taxes</b>	<b>\$1.94</b>	<b>\$1.94</b>	<b>\$1.94</b>
Tobacco	FY 2020-21	FY 2021-22	FY 2022-23
General Fund	20%	20%	20%
Amendment 35	20%	20%	20%
Proposition EE	10%	10%	10%
<b>Total Tobacco Taxes</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
Nicotine	2021	2022	2024
Proposition EE	30%	35%	50%
<b>Total Nicotine Taxes</b>	<b>30%</b>	<b>35%</b>	<b>50%</b>

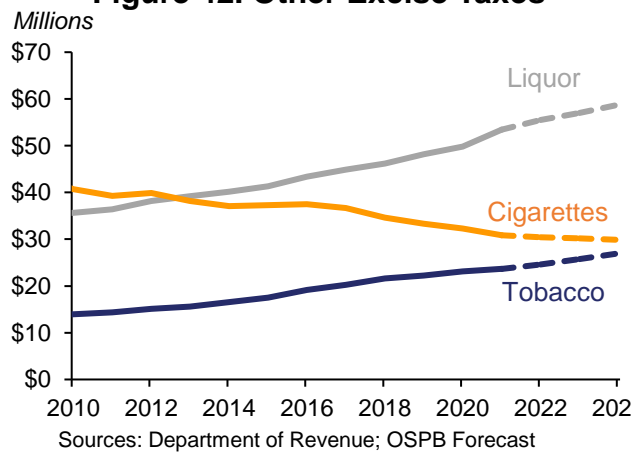
EE creates a new tax on other nicotine products which were not taxed previously, beginning at 30 percent and increasing incrementally up to 62 percent by July 2027. Through FY 2022-23,

revenue from the Proposition EE-imposed taxes is largely transferred to the State Education Fund, with smaller amounts going to the Rural Schools Cash Fund, the Housing Development Grant Fund, the Tobacco Tax Cash Fund, the Eviction Legal Defense Fund, and the Preschool Programs Cash Fund. Starting in FY 2023-24, these funds will be transferred almost entirely into the Preschool Programs Cash Fund aside from a small transfer to the Tobacco Education Programs Fund.

Proposition EE went into effect in January 2021, bringing in \$49.0 million total for the second half of FY 2020-21. The majority of this revenue came from cigarettes at \$37.7 million, with tobacco and nicotine making up the other \$11.3 million. OSPB expects total Proposition EE revenue to increase to \$214.1 million in FY 2021-22, as the taxes will be in effect for the full year and the nicotine tax rate increases. Nicotine revenue came in at \$8.2 million in FY 2020-21 with one quarter of data, and quarterly revenue has continued to increase since early 2021; nicotine revenue is expected to reach \$39.7 million for FY 2022. Tobacco has come in roughly as expected since the implementation. Proposition EE cigarette revenues have come in lower than expected given the revenue we’ve seen from the other two cigarette taxes. Given that the \$1.10 Proposition EE cigarette tax is 5.5 times higher than the \$0.20 excise tax, we would expect the total Proposition EE cigarette revenue to also be 5.5 times higher, but the ration between the taxes has been much lower. The Department of Revenue has recently identified an issue with cigarette revenue that resulted in overfunding in General Fund and Amendment 35 revenue and underfunding in Prop EE revenue. The March General Fund report will adjust for the identified error. As a result, OSPB has revised up the forecast for Proposition EE cigarette revenue to \$158.9 million for FY 2021-22.

Other excise taxes include the initial taxes on cigarettes and tobacco excluding Proposition EE and Amendment 35 as well as revenue from liquor. These three revenue streams each have a fairly consistent pattern with liquor and tobacco trending upward and cigarettes trending down as smoking cigarettes becomes less popular over time. Liquor sales increased significantly at the beginning of the pandemic, and revenue has continued to increase at its pre-pandemic rate in recent months. With the significant increase in the cigarettes tax rate in January, cigarette sales spiked in December 2020 and fell sharply when the new tax was implemented. Additionally, as discussed in the section above, DOR has identified issues with reporting cigarette revenue over the past several months, so actual revenue to date for this fiscal year has likely been overstated and will be corrected next month. This led

**Figure 42. Other Excise Taxes**



to a moderate downward revision of the cigarette revenue forecast to \$30.4 million for FY 2021-22.

## Other General Fund Revenue

Other General Fund revenue includes insurance premium tax revenue, interest/investment income, and court receipts. Other General Fund revenue is expected to remain flat at \$441.0 million in FY 2021-22, as increases to insurance premium tax and interest income cancel out decreases to Other Income. Revenue is then expected to increase by 15.1 percent in FY 2022-23 and 5.9 percent in FY 2023-24. This estimate was revised down from the December forecast mainly due to low insurance premium tax receipts so far in FY 2021-22. 2020 legislation changing the amount of quarterly tax payments may be resulting in a shift of premium tax payments to later in the fiscal year. In addition, the outlook for the life, property and casualty, and several other insurance sectors remains strong, and 2021 legislation reducing the size of the annuities exemption and regional home office rate reduction should further buoy revenues in the out years. Our estimate for interest income has been revised upward in all three years due to higher-than-anticipated receipts and expectations of Federal Reserve interest rate hikes.

## State Education Fund

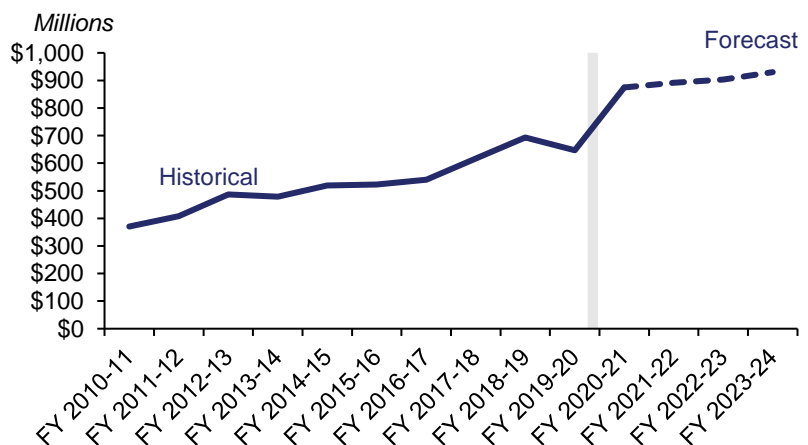
Revenue to the State Education Fund from income taxes increased by 35.2 percent in FY 2020-21 and is expected to continue to grow by 2.0 percent in FY 2021-22. The large increase in FY 2020-21 is largely due to the impact of a delayed transfer from FY 2019-20 revenue collections, while an additional delayed transfer of \$75.6 million into the SEF in FY 2021-22 buoys revenue above the prior fiscal year.

In FY 2022-23, there is a 1.2 percent increase to \$903.2 million in FY 2022-23 and a 3.0 percent increase to \$930.1 million in FY 2023-24.

Compared with the December forecast, FY 2021-22 revenue is

\$93.8 million, or 11.8 percent higher as a result of the new delayed transfer mentioned as well as upward revisions to income forecasts. Projections in FY 2022-23 and FY 2023-24 were \$20.4

**Figure 43. Revenues to the State Education Fund**



Source: Colorado Department of Revenue; OSPB

million and \$10.4 million higher than December's forecasts, respectively. This does not include transfers from other funds.

The Colorado Constitution requires that 1/3 of 1 percent of Colorado taxable income be credited to the State Education Fund. As the State Education Fund revenue is derived from taxable income, it generally follows the trends in individual income and corporate income tax revenue collections. However, the State Education Fund deviates from the steadily rising trend in income tax revenue, with the delayed transfers from revenue collections mentioned above driving the break in the relationship.



## Revenue Outlook – Cash Funds

Cash funds are taxes, fees, fines, and interest collected by various state programs to fund services and operations. These revenue sources are designated by statute for a particular program and as such are distinct from General Fund revenue, which is available for general purpose expenditures. The following discussion highlights those cash fund revenues that are subject to TABOR or have significant fiscal implications.

Total cash fund revenue subject to TABOR was \$2.2 billion in FY 2020-21. In FY 2021-22, cash fund revenue is projected to increase by 12.0 percent followed by 1.8 percent growth in FY 2022-23 and 4.4 percent growth in FY 2023-24.

### Transportation

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and a handful of smaller cash funds. Transportation-related cash fund revenue was affected substantially by the pandemic, falling by 6.1 percent in FY 2019-20 and another 3.5 percent in FY 2020-21. This decline was driven primarily by lower revenue coming from gas, transportation permits, and aviation fuel taxes. Most of these revenue streams are beginning to return to pre-pandemic levels as transportation patterns rebound. In addition to a rebound in these revenue streams, S.B. 21-260, *Sustainability of the Transportation System*, is expected to bring in substantially more transportation-related cash fund revenue in the long run as new fees go into effect.

**Figure 44. Transportation Revenue Forecast and Actuals**

	Actual FY 20-21	Forecast FY 21-22	Forecast FY 22-23	Forecast FY 23-24
<b>Highway Users Tax Fund (HUTF)</b>				
Motor and Special Fuel Taxes	\$593.6	\$640.7	\$648.8	\$656.3
Percent Change	-4.9%	7.9%	1.3%	1.1%
Road Usage Fees	\$0.0	\$0.0	\$59.7	\$91.6
Percent Change	N/A	N/A	N/A	53.4%
Total Registrations	\$400.2	\$382.3	\$360.2	\$403.3
Percent Change	4.8%	-4.5%	-5.8%	12.0%
<i>Registrations</i>	\$234.1	\$244.3	\$239.6	\$246.5
<i>Road Safety Surcharge</i>	\$137.8	\$108.2	\$93.8	\$128.9
<i>Late Registration Fees</i>	\$28.3	\$29.7	\$26.9	\$28.0

Governor's Budget Request	\$0.0	\$0.0	-\$46.8	-\$19.8
<i>Road Usage Fees</i>	\$0.0	\$0.0	-\$28.0	\$0.0
<i>Road Safety Surcharge</i>	\$0.0	\$0.0	-\$17.0	-\$18.0
<i>Other HUTF</i>	\$0.0	\$0.0	-\$1.8	-\$1.8
Other HUTF	\$48.1	\$59.8	\$74.6	\$76.6
Percent Change	-23.5%	24.4%	24.7%	2.7%
<b>Total HUTF</b>	<b>\$1,041.9</b>	<b>\$1,082.8</b>	<b>\$1,096.5</b>	<b>\$1,208.0</b>
<b>Percent Change</b>	<b>-2.6%</b>	<b>3.9%</b>	<b>1.3%</b>	<b>10.2%</b>
<b>Non-HUTF</b>				
State Highway Fund	\$18.4	\$24.8	\$25.4	\$26.2
Percent Change	-38.6%	35.0%	2.4%	2.9%
Other Transportation Funds	\$95.5	\$118.3	\$119.2	\$124.2
Percent Change	-5.8%	23.9%	0.8%	4.1%
<b>Total Transportation Revenue</b>				
<b>Total Transportation</b>	<b>\$1,155.8</b>	<b>\$1,225.9</b>	<b>\$1,241.2</b>	<b>\$1,358.3</b>
<b>Percent Change</b>	<b>-3.5%</b>	<b>6.1%</b>	<b>1.2%</b>	<b>9.4%</b>

The Highway Users Tax Fund is the largest transportation-related cash fund, with revenues primarily coming from motor fuel taxes and motor vehicle registrations. Motor fuel taxes make up over half of the HUTF and are comprised of both gas and diesel tax revenue. Revenue from gas taxes declined sharply at the onset of the pandemic as commuter travel waned, but are expected to pick up in FY 2021-22 based on increased tourism into the state and a return to offices. Revenue from diesel taxes were relatively unaffected by the pandemic, and collections are very high to date in the current fiscal year as high demand for goods has resulted in a higher need for shipping. Revenue from Motor and Special Fuel tend not to be very affected by fuel prices as the tax itself is not price dependent, and demand for fuel tends not to be very sensitive to changes in price. However, it is possible that demand could slow if prices rise dramatically, so this is a downside risk to the forecast. Additionally, new Road Usage Fees charged on gas and diesel go into effect in FY 2022-23 and increase in later years, which will provide significant additional revenue for transportation. Vehicle purchases started to rebound through 2021, which helped bolster registration-related collections in FY 2021-22. However, the forecast was revised down slightly from December due to expectations that monetary policy tightening will reduce the number of cars sold. OSPB forecasts a decline in registration revenue in FY 2021-22 and FY 2022-23 due to changes in S.B. 21-260 that will temporarily reduce the Road Safety Surcharge beginning in January 2022, which is expected to reduce HUTF revenue by an estimated \$32.8 million in FY 2021-22 and \$49.5 million in FY 2022-23.

Transportation revenue is coming in strong in the current fiscal year, but the HUTF forecast for FY 2021-22 has been revised down since December due to two fee relief proposals added in the Governor's January 3 budget submission. The first proposal would delay the implementation of the Road Usage Fee, a fee of \$0.02 on every gallon of gas and diesel, by six months from July 1, 2022 to January 1, 2023. The second proposal would reduce the Road Safety Surcharge by an additional \$5.55 per registration for 2023, resulting in \$35 million less revenue split over FY 2022-23 and FY 2023-24. Figure 45 illustrates HUTF distributions based on the first and second stream allocation formulas with

the current forecast for HUTF revenue. Off-the-top deductions for Colorado State Patrol and Division of Revenue include the FY 2021-22 appropriation and are assumed to be held flat in future years.

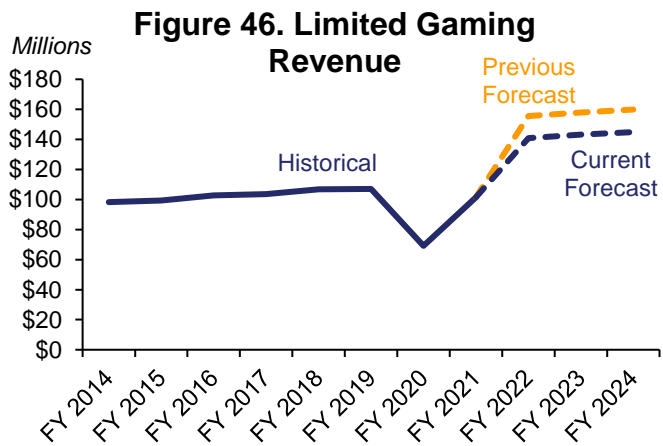
**Figure 45. Highway Users Tax Fund Distribution Forecast and Actuals**

	Actual FY 20-21	Forecast FY 21-22	Forecast FY 22-23	Forecast FY 23-24
<b>HUTF Distributions</b>				
Off-the-Top Deductions	\$134.8	\$181.2	\$181.2	\$181.2
State Highway Fund (CDOT)	\$560.1	\$555.8	\$563.8	\$631.2
Counties	\$212.2	\$210.2	\$213.0	\$238.0
Cities	\$134.8	\$135.6	\$138.5	\$157.6
<b>Total HUTF</b>	<b>\$1,041.9</b>	<b>\$1,082.8</b>	<b>\$1,096.5</b>	<b>\$1,208.0</b>

Other transportation-related funds includes the State Highway Fund (SHF) and other miscellaneous revenue, which make up a smaller portion of total revenue than the HUTF. Revenue to the SHF is made up of various smaller revenue streams including sales of state property and earned interest. The State Highway Fund has declined over the past two years, but OSPB expects the fund to rebound over the next few years as permits and other services return to pre-pandemic levels. Changes in the “Other Transportation Funds” category are often driven by fluctuations in aviation tax revenue, which has rebounded over low FY 2019-20 and FY 2020-21 levels, resulting in a revision upward since the December forecast.

## Limited Gaming

After pandemic-induced reductions in FY 2019-20, total gaming revenue rebounded and grew by 48.2 percent to \$121.7 million in FY 2020-21, nearly returning to its pre-pandemic level of \$127.2M in 2018-19. This forecast assumes an increase in casino gaming FY 2021-22 consistent with the prior forecast due to the Amendment 77 impacts of higher bet limits and expanded game options on top of strong demand coming out of the pandemic. However, the forecast for revenue collections has been revised down slightly from December due to a slower expected pace of casinos moving through the tax bracket structure discussed later in this section. Similar



Source: Colorado Department of Revenue; OSPB

revisions to revenue also appear in the FY 22-23 and FY 23-24 forecasts as FY 2021-22 revenue will serve as the new base for gaming revenue in the post-Amendment 77 environment. Revisions to the forecast are shown in Figure 46 and the current forecast is shown in Figure 47 below.

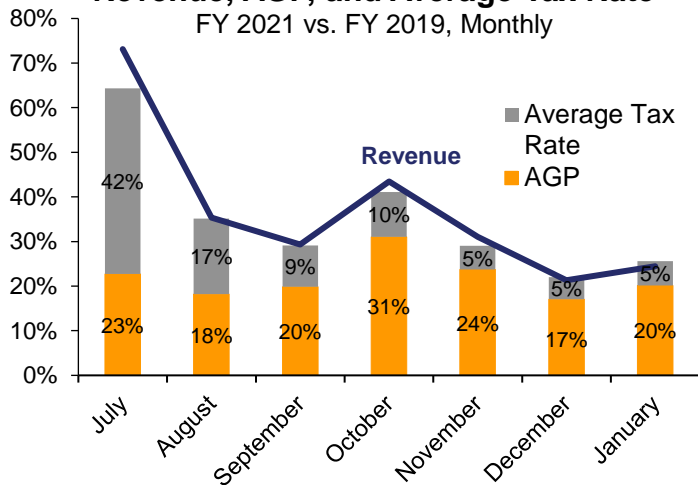
<b>Figure 47. Distribution of Limited Gaming Revenues</b>	<b>Actual FY 20-21</b>	<b>Forecast FY 21-22</b>	<b>Forecast FY 22-23</b>	<b>Forecast FY 23-24</b>
<b>A. Total Limited Gaming Revenues (Includes Fees and Interest)</b>	<b>\$121.7</b>	<b>\$162.9</b>	<b>\$165.6</b>	<b>\$167.5</b>
Annual Percent Change	48.1%	33.9%	1.6%	1.2%
<b>B. Gaming Revenue Exempt from TABOR (Extended Limited)</b>	<b>\$19.8</b>	<b>\$22.1</b>	<b>\$22.4</b>	<b>\$22.7</b>
Annual Percent Change	53.0%	11.3%	1.6%	1.2%
<b>B. Base Limited Gaming Revenues</b>	<b>\$101.8</b>	<b>\$140.8</b>	<b>\$143.1</b>	<b>\$144.8</b>
Annual Percent Change	47.2%	38.3%	1.6%	1.2%
<b>C. Gaming Revenue Subject to TABOR (Limited)</b>	<b>\$101.8</b>	<b>\$140.8</b>	<b>\$143.1</b>	<b>\$144.8</b>
Annual Percent Change	47.2%	38.3%	1.6%	1.2%
<b>D. Total Amount to Base Revenue Recipients</b>	<b>\$87.6</b>	<b>\$126.4</b>	<b>\$129.0</b>	<b>\$130.6</b>
Amount to State Historical Society (28%)	\$24.5	\$35.4	\$36.1	\$36.6
Amount to Counties (12%)	\$10.5	\$15.2	\$15.5	\$15.7
Amount to Cities (10%)	\$8.8	\$12.6	\$12.9	\$13.1
Amount to Distribute to Remaining Programs (State Share) (50%)	\$43.8	\$63.2	\$64.5	\$65.3
Amount to Local Government Impact Fund	\$0.0	\$5.4	\$5.5	\$5.6
Colorado Tourism Promotion Fund	\$0.0	\$15.0	\$15.0	\$15.0
Creative Industries Cash Fund	\$0.0	\$2.0	\$2.0	\$2.0
Film, Television, and Media Operational Account	\$0.0	\$0.5	\$0.5	\$0.5
Bioscience Discovery Evaluation Fund	N/A	N/A	N/A	N/A
Advanced Industries Acceleration Fund	\$0.0	\$5.5	\$5.5	\$5.5
Innovative Higher Education Research Fund	\$0.0	\$2.1	\$2.1	\$2.1
Transfer to the General Fund	\$43.8	\$32.7	\$33.9	\$34.6
<b>E. Total Amount to Amendment 50 Revenue Recipients</b>	<b>\$17.4</b>	<b>\$19.8</b>	<b>\$19.9</b>	<b>\$20.3</b>
Community Colleges, Mesa and Adams State (78%)	\$13.6	\$15.5	\$15.5	\$15.8
Counties (12%)	\$2.1	\$2.4	\$2.4	\$2.4
Cities (10%)	\$1.7	\$2.0	\$2.0	\$2.0

Gaming revenue collections in Colorado are a function of two variables: (1) adjusted gross proceeds (AGP) at each casino and (2) the tax rate applied to average gross proceeds. An increase in the amount spent on gambling will result in a relatively linear increase in AGP. Thus, the Amendment 77 driven expansion in gaming has directly caused higher AGP across the state. For instance, betting on baccarat alone (which was not allowed prior to Amendment 77) has resulted in on average \$1.98 million in additional AGP each month. On the other hand, the relationship between increased gambling and the tax rate applied is more complicated because the tax rate is not the same for each additional dollar of AGP, nor does it increase at a linear rate. Rather, the tax rates

**Figure 48. Gaming Tax Rates**

Casino Adjusted Gross Proceeds	Tax Rate
Up to \$2,000,000	0.25%
\$2,000,001 to \$5,000,000	2.00%
\$5,000,001 to \$8,000,000	9.00%
\$8,000,001 to \$10,000,000	11.00%
\$10,000,001 to \$13,000,000	16.00%
\$13,000,001 and Over	20.00%

**Figure 49. Growth in Gaming Revenue, AGP, and Average Tax Rate**  
FY 2021 vs. FY 2019, Monthly



Source: Colorado Department of Revenue; Division of Gaming.

shown in Figure 49.

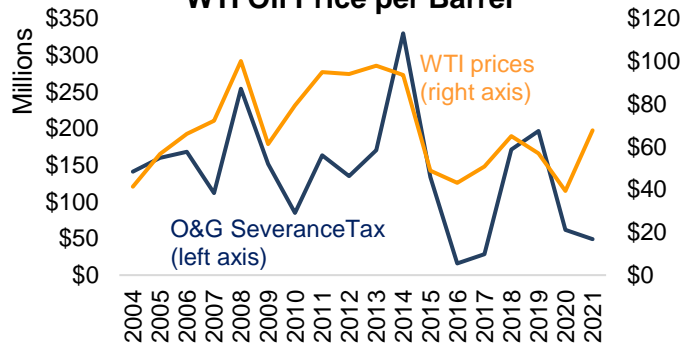
are based on the schedule outlined in Figure 48. This relationship means that the average tax rate charged on AGP increases over the course of the year, as casinos move up in tax brackets.

As a result, while the trend line for AGP growth relative to 2019 is quite linear and flat, the percent average tax rate growth exponentially decreased from July through November, stabilizing at around 5% (or the equivalent of an average tax rate 0.85 percentage points higher in 2021 than in 2019). This trend is

# Severance

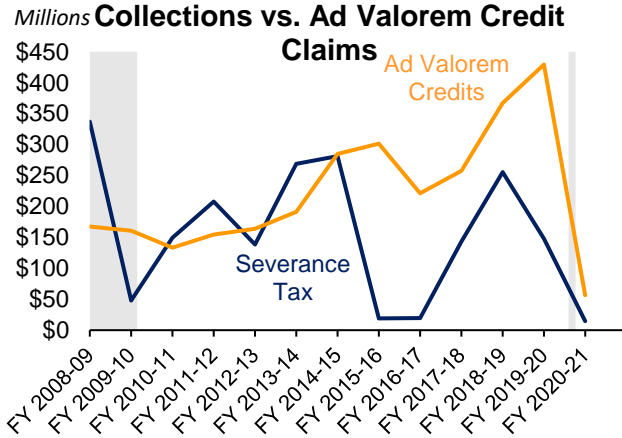
Severance tax revenue fell to \$14.7M in FY 2020-21, the lowest annual value since 1990 and the fourth-lowest value since the tax was implemented in FY 1977-78. Just two years prior, revenue reached \$255.2M, its third-highest value on record. This illustrates the significant volatility of this revenue source, some of which is due to the tax base itself. Oil and gas severance tax, which depending on the year accounts for 89-97 percent of overall collections, depends on production levels multiplied by price. While oil and gas production in Colorado has increased 19 of the last 21 years (12.2 percent average annual growth rate) and 17 of the last 21 years (3.9 percent average), respectively, prices have fluctuated far more. This price volatility also causes volatility in the ad valorem credit, which is based local property tax assessments on the value of oil and gas production. Oil and gas taxpayers can use the credit to reduce their severance tax liability by up to 87.5 percent of the real property taxes they most recently paid to their local governments, school districts, and special districts.

**Figure 50. Oil and Gas Severance Tax Collections & WTI Oil Price per Barrel**



Source: Colorado Department of Revenue (severance tax revenue); EIA (WTI prices).

**Figure 51. Severance Tax Collections vs. Ad Valorem Credit Claims**



Source: Colorado Department of Revenue; OSPB

Since the end of February, oil prices have spiked to levels not seen since 2014 due to the Russian invasion of Ukraine. This pushed U.S. benchmark oil prices to an average of \$105 per barrel since February 24, where they are largely expected to remain for the rest of the year due to sanctions on Russian oil exports exacerbating the supply-demand mismatch that predates the conflict. In contrast, Henry Hub natural gas prices have remained relatively stable year-to-date, since U.S. production currently exceeds demand. Figure 50 shows the correlation between WTI oil price per barrel and severance tax collections, with tax collections lagging oil prices by about a year over the last few years.

As a result of the swift uptick in oil prices, the severance tax revenue forecast was revised up to \$156.8 million in FY22 and \$166.7 million in FY23, before dropping to \$127.3 million in FY24, as shown in Figure 52. The upward revision is largely due to the price increase, since production is not expected to increase significantly over the course of 2022. The breakeven price to produce a

barrel of oil in the Federal Reserve Tenth District, which includes Colorado, was \$57 per barrel during the third quarter of 2021, while the price to substantially increase production was \$73 per barrel as of the fourth quarter. WTI prices were in the profitable range most of 2021 and production has just begun to tick up, indicating the industry is not inclined to make quick decisions about investing in production in response to prices.

Figure 52. Severance Tax Revenue

	Actual FY 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24
Oil & Gas	\$0.6	\$151.4	\$161.5	\$114.67
Coal	\$1.9	\$2.8	\$2.3	\$2.0
Molybdenum & Metals	\$2.2	\$2.0	\$1.9	\$1.8
Interest	\$10.0	\$9.0	\$9.6	\$9.6
<b>Total</b>	<b>\$14.7</b>	<b>\$165.2</b>	<b>\$175.2</b>	<b>\$128.0</b>
<i>Change</i>	-88.8%	1024.1%	6.0%	-26.9%

## Marijuana

Total marijuana tax revenue grew 22.2 percent in FY 2020-21 as a result of a spike in sales during the height of the pandemic. While revenue has continued at historically high levels to date in FY 2021-22, it has fallen from the levels seen over the course of FY 2020-21. Large downward revisions were made in the September and December forecasts to account for the anticipated drop in revenue from the 15 percent special sales tax on retail marijuana, which is the primary contributor to the Marijuana Tax Cash Fund (MTCF).

The March forecast is generally in line with the December forecast, except for a downward revision to the 15 percent excise tax revenue as wholesale prices settle back to historic levels. The March forecast projects an 8.9 percent reduction in total marijuana revenue in FY 2021-22, down from the record levels seen in FY 2020-21, followed by slower growth of 2.3 percent and 2.7 percent in FY 2022-23 and FY 2023-24, respectively. Figures 53 and 54 summarize these projections.

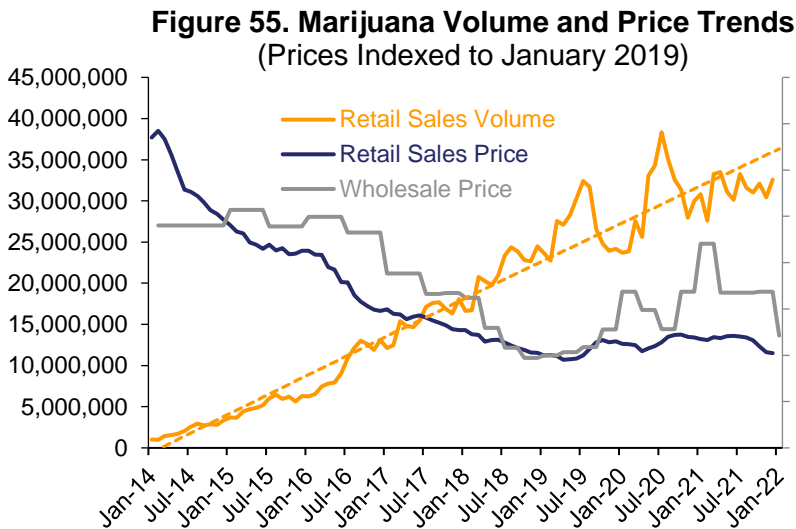
Figure 53. Tax Revenue from the Marijuana Industry

	Actual FY 20-21	Forecast FY 21-22	Forecast FY 22-23	Forecast FY 23-24
<b>Proposition AA Taxes (Not Subject to TABOR)</b>				
Retail Marijuana 15% Special Sales Tax	\$288.2	\$266.2	\$278.2	\$287.9
Retail Marijuana 15% Excise Tax	\$120.8	\$107.5	\$104.7	\$106.0
<b>Total Proposition AA Taxes</b>	<b>\$409.0</b>	<b>\$373.7</b>	<b>\$382.9</b>	<b>\$393.9</b>

**2.9% Sales Tax & Interest (Subject to TABOR)**

Medical Marijuana 2.9% State Sales Tax	\$13.8	\$10.8	\$10.6	\$10.4
Retail Marijuana 2.9% State Sales Tax	\$1.6	\$2.1	\$2.0	\$2.0
Interest Earnings	\$0.2	\$0.4	\$0.4	\$0.4
<b>Total 2.9% Sales Taxes &amp; Interest</b>	<b>\$15.6</b>	<b>\$13.3</b>	<b>\$13.0</b>	<b>\$12.8</b>
<b>Total Marijuana Taxes</b>	<b>\$424.6</b>	<b>\$387.0</b>	<b>\$395.9</b>	<b>\$406.7</b>

Figure 54. Tax Revenue from the Marijuana Industry	Total Marijuana Revenue	Local Share	General Fund	BEST School Capital Construction	Public School Permanent Fund	Public School Fund	Marijuana Tax Cash Fund
FY 2020-21 Actual	\$424.6	\$28.8	\$40.4	\$40.0	\$0.0	\$113.4	\$201.9
FY 2021-22 Projected	\$387.0	\$26.6	\$37.3	\$107.5	\$0.0	\$30.2	\$185.4
FY 2022-23 Projected	\$395.9	\$27.8	\$39.0	\$104.7	\$0.0	\$31.5	\$192.9
FY 2023-24 Projected	\$406.7	\$28.8	\$40.3	\$106.0	\$0.0	\$32.6	\$199.0



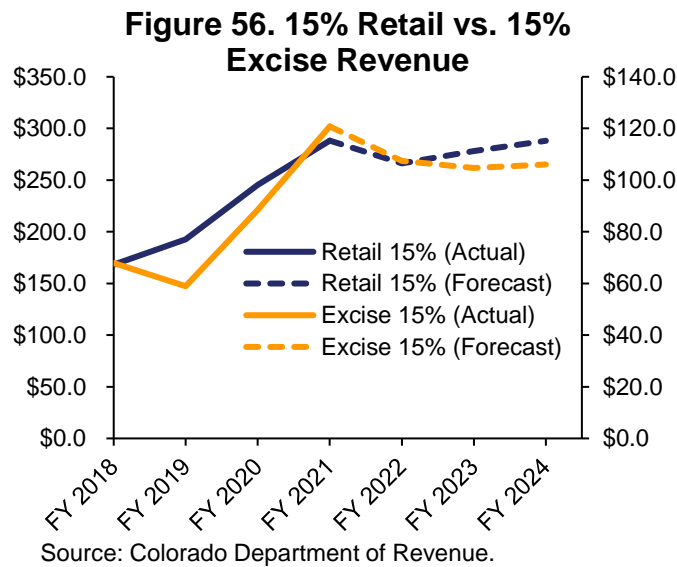
Source: Colorado Department of Revenue; University of Colorado at Boulder.

Figure 55 highlights a few critical characteristics of Colorado’s marijuana market and the ways in which trends have shifted over the course of the pandemic. Growth in recreational retail sales volume, number of grams of marijuana sold, has shown a steep and relatively linear trajectory in Colorado since legalization in 2014, with an average yearly sales growth of approximately \$56.3 million per year. Retail sales

volume rose to record highs during the height of the pandemic, even compared to trend growth, but stabilized below trend growth over the latter half of 2021. This below trend growth in volume is expected to be a natural result of the maturation of the Colorado marijuana market, whereby slower growth will continue as current consumers grow their demand and experiment with new products, but fewer new consumers will drive new market demand. Revenue data from the first half of FY 2021-22 has indicated that these volume trends will continue at moderate, below trend growth rates for the foreseeable future.



The retail price per gram of flower stabilized significantly at the beginning of 2019 and while the retail price experienced a slight pandemic-induced increase, it did not deviate from its apparent equilibrium price of \$4-5 per gram. In contrast, wholesale prices are much more volatile and were more responsive to the pandemic-induced shocks, rising more than 100 percent from their January 2019 levels, from \$781 per pound to \$1,721 per pound. These elevated price levels also outlasted other pandemic-related impacts and only settled back down to more normal levels of \$948 per pound in January.



The level of pandemic-induced growth is significantly higher for excise tax revenue because of these price and volume trends, as is demonstrated by the steeper slope of the orange line as compared to the blue line from FY 2019 to FY 2021. This is because of the direct role that wholesale prices play in excise tax collections. Similarly, the flatter (in fact, slightly negative) trajectory of excise tax revenue from FY 2022 to FY 2023 is due to the longer term nature of the price impacts on the first few months of revenue in FY 2022, with the return to normal prices not fully incorporated until FY 2023.

## Federal Mineral Lease

Federal Mineral Lease (FML) revenue increased by 31 percent to \$82.0 million in FY 2020-21, due to the Bureau of Land Management (BLM) approving several royalty rate reductions for coal mines in FY20 as well as increased gas and oil production (particularly on the Western Slope) in FY21. Revenue is expected to grow by almost 42 percent in FY22, reaching \$116.4M. This is an upward revision from December to account for growth in oil and gas prices. Revenue derived from natural gas product production on federal leases accounts for roughly 50 percent of total revenues, so federal mineral lease revenue is not as susceptible to the fluctuation in oil prices as state severance taxes.

Expectations for revenue growth in FY23 and FY24 are more subdued. The number of oil and gas leases on federal land in Colorado has dropped significantly in recent years, from over 5,000 each year between federal fiscal years 2006 and 2012, to under 3,900 annually since federal fiscal year 2017. The amount of leased acreage has also markedly decreased, peaking at 5.2 million acres in federal fiscal year 2008 before gradually decreasing every year since then, reaching 2.4 million

acres in 2020. Further, approved BLM drilling permits in Colorado averaged 45 per month between October 2020 and March 2021 before plummeting to 2.5 per month in the ensuing six months, although some of this may be due to uncertainty around the Biden administration’s proposal to curb new energy leases on federal lands, which a federal court struck down in June. As a result, we expect relatively flat year-on-year growth in FY23 at \$103.9M and FY24 at \$89.2M.

While FML revenue is exempt from TABOR, it is included here because a portion of the money is distributed to the Public School Fund.

<b>Figure 57. FML Forecast Distribution Table</b>	<b>Actual FY 2020-21</b>	<b>Forecast FY 2021-22</b>	<b>Forecast FY 2022-23</b>	<b>Forecast FY2023-24</b>
<b>Total FML Revenue</b>	<b>\$82.0</b>	<b>\$116.4</b>	<b>\$103.9</b>	<b>\$89.2</b>
<i>Change</i>	30.9%	41.9%	-10.7%	-14.1%
<b>Bonus Payments</b>	<b>\$1.6</b>	<b>\$2.3</b>	<b>\$2.1</b>	<b>\$1.8</b>
Local Government Perm Fund	\$0.8	\$1.2	\$1.0	\$0.9
Higher Ed FML Revenues Fund	\$0.8	\$1.2	\$1.0	\$0.9
<b>Non-bonus FML Revenue</b>	<b>\$80.4</b>	<b>\$114.1</b>	<b>\$101.8</b>	<b>\$87.4</b>
State Public School Fund	\$38.8	\$55.1	\$49.2	\$42.2
Colorado Water Conservation Board	\$8.0	\$11.4	\$10.2	\$8.7
DOLA Grants	\$16.1	\$22.8	\$20.4	\$17.5
DOLA Direct Distribution	\$16.1	\$22.8	\$20.4	\$17.5
School Districts	\$1.4	\$1.9	\$1.7	\$1.5
Total Higher Ed Maintenance Reserve Fund	\$0.8	\$1.2	\$1.0	\$0.9

## Other Cash Funds

The state receives revenue from a variety of other, smaller cash funds. This includes non-exempt cash fund revenue to the Department of Regulatory Agencies (DORA), which is made up of revenue from professional and occupational licensing, the Public Utilities Commission, and other sources. DORA’s revenue is forecasted to be \$90.1 million in FY 2021-22. This estimate was revised upward from the December forecast because collections have come in higher than expected to date this fiscal year and public utilities revenue for the rest of the fiscal year is revised upward. OSPB expects a decline in revenue for FY 2022-23 as a result of DORA’s inclusion in the Governor’s proposed Fee Relief for Individuals and Businesses stimulus package. This package would waive renewal fees for nurses and mental health workers for two years, which would reduce revenue by \$7.1 million in FY 2022-23 and \$6.9 million in FY 2023-24.

The category of “Other Miscellaneous Cash Funds” includes revenue from over 300 cash fund programs that collect revenue from fines, fees, and interest earnings. This broad category is less sensitive to general economic conditions than revenue sources like income and severance taxes. This cash fund revenue is forecast to be \$861.5 million in FY 2021-22, which is nearly unchanged from the revenue in FY 2020-21. Most miscellaneous cash funds are projected to increase from the prior fiscal year, and this roughly offsets a large, \$43.0 million revenue reduction associated with the one-time Unclaimed Property Trust Fund transfer stemming from HB 20-1381 (Cash

Fund Transfers General Fund). Miscellaneous cash funds are forecasted to increase by 2.9 percent in FY 2022-23 and by 4.2 percent in FY 2023-24.

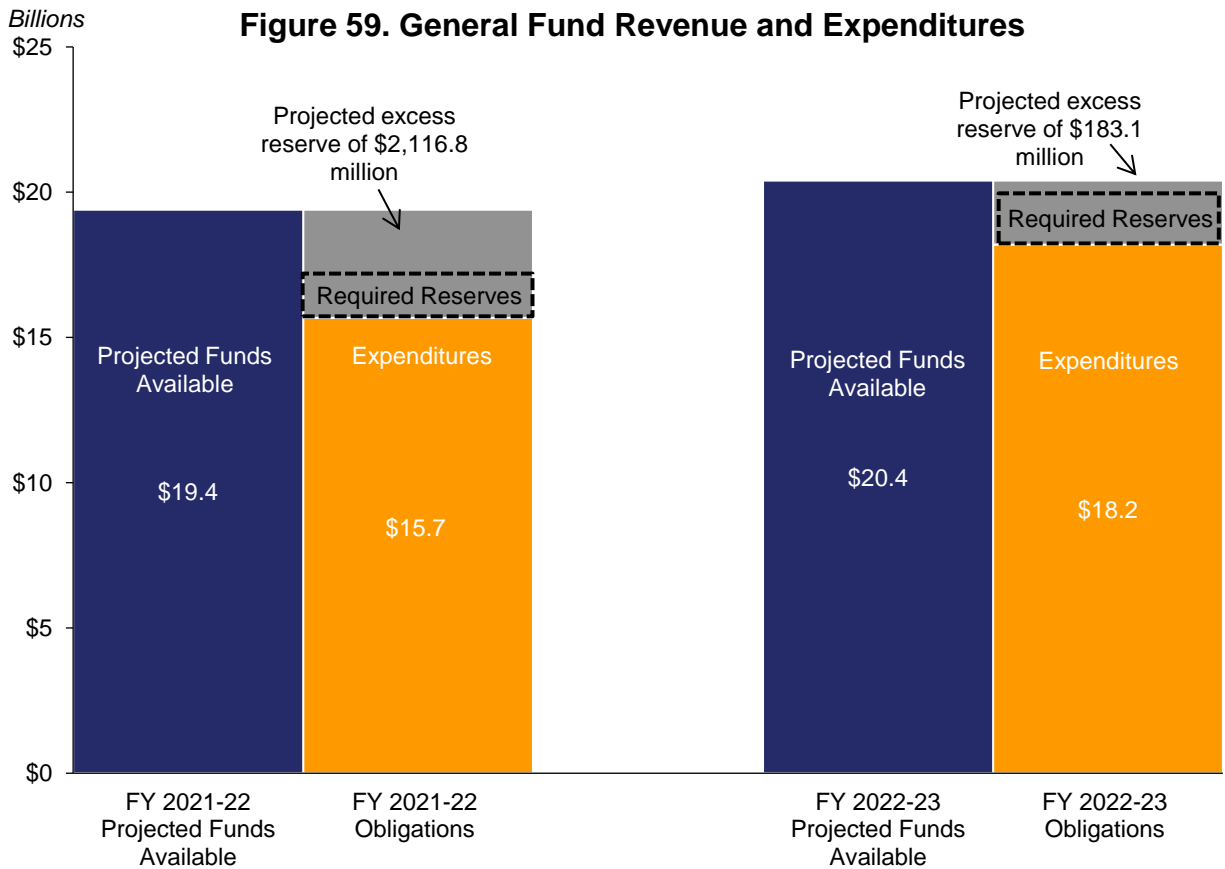
**Figure 58. Other Cash Funds Forecasts and Actuals.**

	Actual 2020-21	Forecast FY 2021-22	Forecast FY 2022-23	Forecast FY 2023-24
<b>Forecast Without Governor's Budget</b>				
DORA	\$89.1	\$90.1	\$92.3	\$95.4
<i>Change</i>	9.9%	1.1%	2.4%	3.4%
Miscellaneous Cash Funds	\$857.5	\$861.5	\$907.3	\$924.3
<i>Change</i>	17.2%	0.5%	5.3%	1.9%
<b>Governor's Budget Request</b>				
DORA	\$0.0	\$0.0	-\$7.1	-\$6.9
Miscellaneous Cash Funds	\$0.0	\$0.0	-\$20.6	\$0.0
<b>Final Forecast</b>				
DORA	\$89.1	\$90.1	\$85.2	\$88.5
<i>Percent Change</i>	9.9%	1.1%	-5.4%	3.9%
Miscellaneous Cash Funds	\$857.5	\$861.5	\$886.7	\$924.3
<i>Percent Change</i>	17.2%	0.5%	2.9%	4.2%

# Budget Outlook

## General Fund

General Fund revenue increased 11.2 percent in FY 2020-21 and is projected to increase 13.1 percent in FY 2021-22 before growing 2.8 percent in FY 2022-23 and 3.2 percent in FY 2023-24. General Fund revenue for FY 2021-22 is \$205.9 million, or 1.3 percent higher, than was estimated in December, driven by increased expectations for income and sales tax revenue collections. The forecast for FY 2022-23 is \$344.7 million, or 2.1 percent higher than estimated in December, as strong wage and inflation growth continues to put upward pressure on individual income and sales tax revenue collections.



The General Fund reserve was above the required statutory reserve amount of 2.86 percent of appropriations in FY 2020-21. Under this forecast, the General Fund ending balance is projected to be \$2,116.8 million above the statutory reserve level of 13.4 percent of appropriations in FY

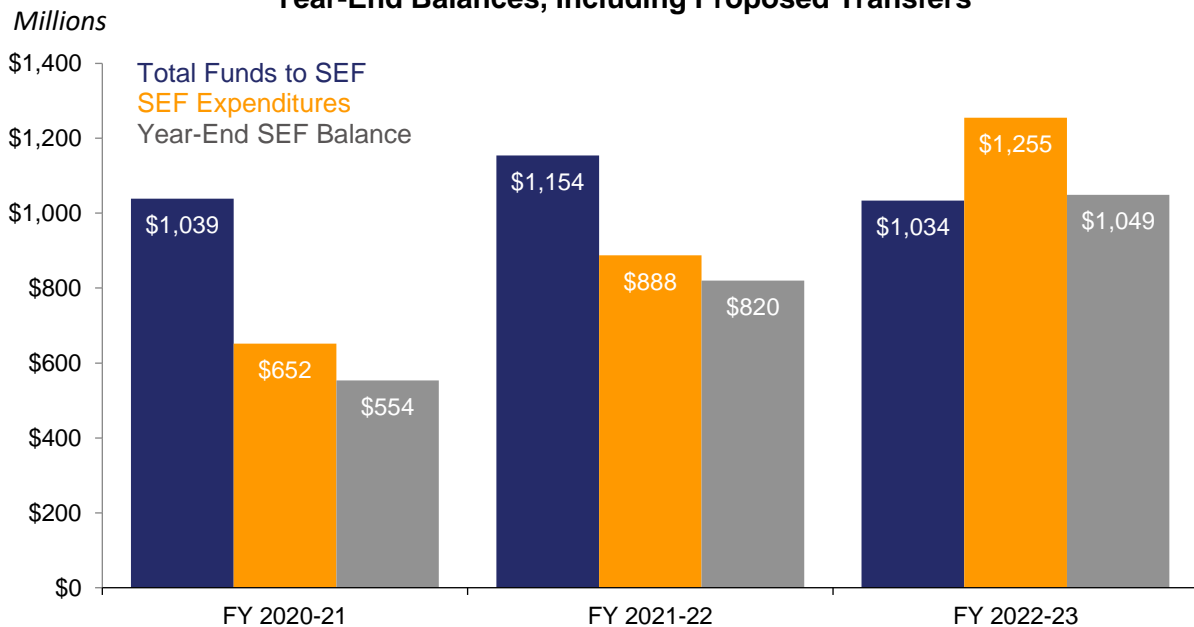
2021-22 and \$183.1 million above the statutory reserve level of 15.0 percent of appropriations in FY 2022-23. Figure 59 summarizes total projected General Fund revenue available, total obligations, and reserve levels for FY 2021-22 and FY 2022-23 under current law.

## State Education Fund

The State Education Fund’s year-end balance was \$553.7 million in FY 2020-21 and is projected to increase to \$820.1 million in FY 2021-22, including transfers. This is a \$93.8 million upward revision compared to the December 2021 forecast, due in part to revenue from expected increases in income taxes as well as truing up of a technical error, which delayed a transfer of \$75.6 million into the SEF from FY 2020-21 to FY 2021-22.

In FY 2022-23, the year-end balance is projected to be \$1,049.0 million, \$207.4 million above the December forecast due largely to lower expected expenditures as a result of updated local share and pupil count assumptions, but also in response to total revenue being revised up with expected increases in individual income revenue. Note that these ending balances assume the \$450 million transfer to the SEF in FY 2022-23, as proposed in the Governor’s budget. Figure 60 summarizes total State Education Fund revenue, expenditures, and ending balances for FY 2020-21, FY 2021-22, and FY 2022-23.

**Figure 60. State Education Fund Revenues, Expenditures and Year-End Balances, Including Proposed Transfers**



## Forecast Risks

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This budget outlook is based on OSPB’s economic forecast as detailed in Tables 1 and 2 of the Reference Tables at the end of this document. This economic forecast is subject to both upside and downside risks.

On the upside, wage growth continues to be strong, largely due to a tight labor market. Additionally, retail sales growth is expected to remain above historical averages, but a significant percent of the growth is due to inflation. Inflation risks are the main downside risk, as continued high inflation may increase the nominal value of sales but also eat into aggregate demand, thereby slowing economic growth. Additionally, the current geopolitical conflict in the Ukraine is expected to drive up food and energy prices, with the potential for more adverse outcomes on the broader economy. Economic conditions currently underlying this forecast are slightly weighted towards downside risk.

## Supplemental Materials

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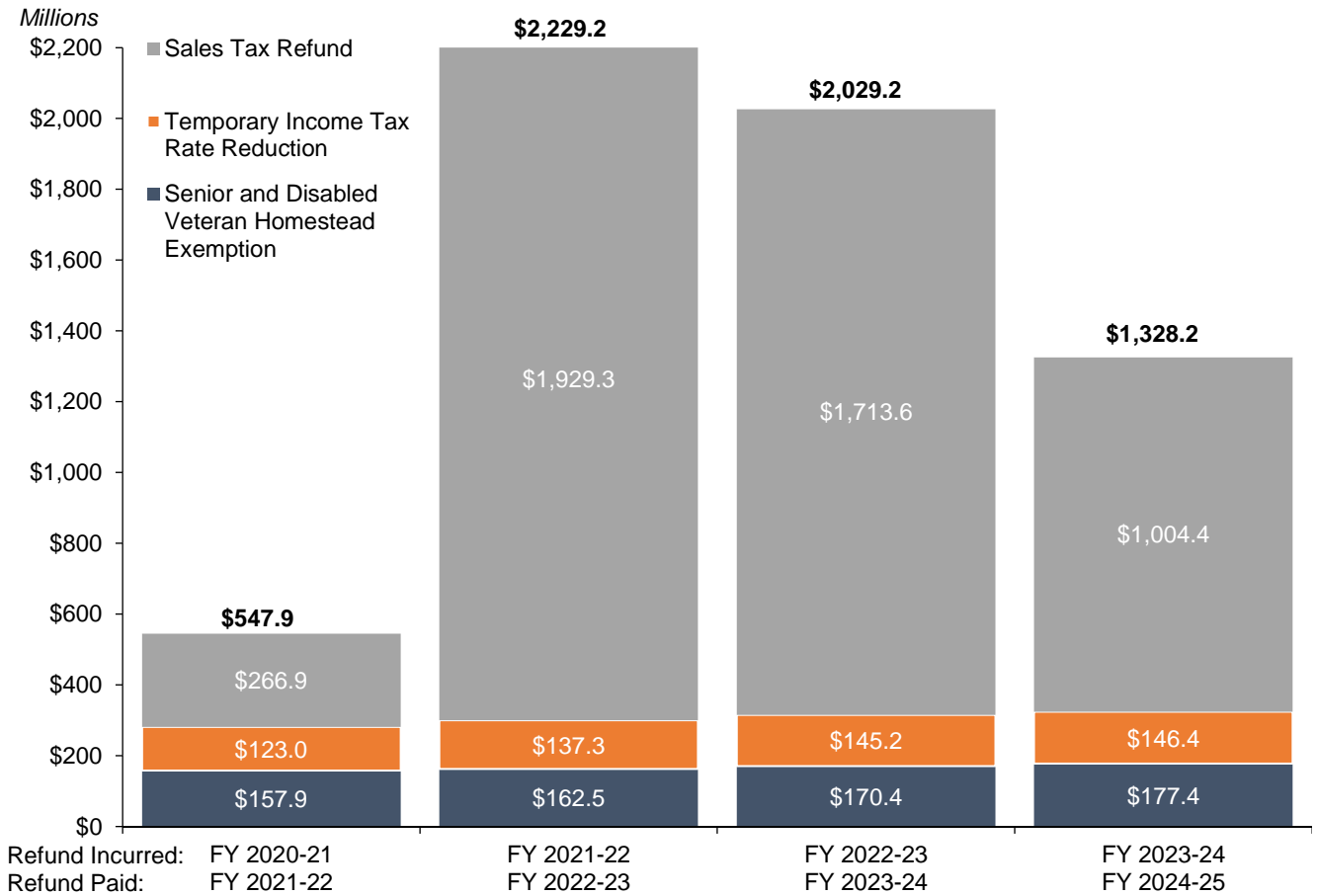
An overview of General Fund and State Education Fund revenue, expenditures, and end-of-year reserves is provided in the Reference Tables at the end of this document. A more detailed discussion of the information presented in the Reference Tables can be found at the Office of State Planning and Budgeting’s website: [www.colorado.gov/governor/economics](http://www.colorado.gov/governor/economics).

## TABOR Outlook

Under Article X, Section 20 of the State Constitution, the Taxpayer’s Bill of Rights (TABOR), revenue received from certain sources is subject to an annual limit determined by the prior year’s limit after adjustments for inflation and population growth. Any TABOR revenue received above the cap is to be refunded to taxpayers in the subsequent fiscal year. Revenue subject to TABOR did not exceed the revenue cap in FY 2019-20 but exceeds it in FY 2020-21 by \$547.9 million. In each year of the projection period, TABOR revenue is expected to exceed the cap, with the highest refund occurring in the current fiscal year. In FY 2021-22, revenue will be \$2,229.2 million due primarily to upward revisions in individual income tax revenue. In FY 2022-23, revenue is projected to be \$2,029.2 million above the cap as income and sales tax revenue exceed previous expectations. In FY 2023-24, the review amount above the cap lowers to \$1,328.2 million as current high inflation allows for further growth in the Referendum C limit.

Current law specifies three mechanisms by which revenue in excess of the cap is to be refunded to taxpayers: the senior homestead and disabled veterans property tax exemptions, a temporary income tax rate reduction (from 4.55 percent to 4.50 percent), and a sales tax refund. The size of the refund determines which refund mechanisms are utilized.

**Figure 61. TABOR Refunds**



An estimated \$123.0 million of the \$547.9 million refund obligation will be paid out as an income tax rate reduction, while \$157.9 million will be refunded via the senior homestead and disabled veterans property tax exemption expenditures and \$266.9 million via a sales tax refund in FY 2021-22. Any difference between estimated refunds and actual refunds will be corrected in the next fiscal year in which a refund is owed, which is FY 2021-22 in this forecast.



# Reference Tables

## Table 1: Colorado Economic Variables – History and Forecast

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	
<b>Income</b>										
1	Personal Income (Billions) /A	\$289.7	\$309.7	\$332.0	\$350.4	\$370.4	\$401.8	\$415.9	\$436.7	\$454.9
2	Change	1.7%	6.9%	7.2%	5.6%	5.7%	8.5%	3.5%	5.0%	4.2%
3	Wage and Salary Income (Billions)	\$151.2	\$161.0	\$170.9	\$182.9	\$187.1	\$205.2	\$222.3	\$234.3	\$244.0
4	Change	3.1%	6.5%	6.2%	7.0%	2.3%	9.7%	8.3%	5.4%	4.2%
5	Per-Capita Income (\$/person) /A	\$52,386.0	\$55,300.0	\$58,475.0	\$61,098.0	\$64,036.0	\$69,103.0	\$70,985.9	\$73,798.3	\$76,082.5
6	Change	0.2%	5.6%	5.7%	4.5%	4.8%	7.9%	2.7%	4.0%	3.1%
<b>Population &amp; Employment</b>										
7	Population (Thousands)	5,529.6	5,599.6	5,676.9	5,734.9	5,784.2	5,814.7	5,858.6	5,917.1	5,978.6
8	Change	1.5%	1.3%	1.4%	1.0%	0.9%	0.5%	0.8%	1.0%	1.0%
9	Net Migration (Thousands)	53.3	42.4	51.8	34.2	28.6	15.1	30.0	37.0	40.0
10	Unemployment Rate	3.1%	2.6%	3.0%	2.7%	6.9%	5.4%	3.7%	3.2%	3.0%
11	Total Nonagricultural Employment (Thousands)	2,601.7	2,660.3	2,727.3	2,790.1	2,644.6	2,740.1	2,833.2	2,894.6	2,943.8
12	Change	2.4%	2.3%	2.5%	2.3%	-5.2%	3.6%	3.4%	2.2%	1.7%
<b>Construction Variables</b>										
13	Total Housing Permits Issued (Thousands)	39.0	40.7	42.6	38.6	40.5	60.1	65.5	69.7	72.4
14	Change	22.3%	4.4%	4.8%	-9.4%	4.8%	48.6%	9.0%	6.3%	4.0%
15	Nonresidential Construction Value (Millions) /B	\$5,987.8	\$6,151.9	\$8,151.0	\$5,167.0	\$5,462.3	\$5,602.9	\$5,902.6	\$6,097.4	\$6,207.2
16	Change	20.0%	2.7%	32.5%	-36.6%	5.7%	2.6%	5.4%	3.3%	1.8%
<b>Price Variables</b>										
17	Retail Trade (Billions) /C	\$184.7	\$194.6	\$206.1	\$224.6	\$228.8	\$266.6	\$287.4	\$299.1	\$309.5
18	Change	1.0%	5.4%	5.9%	9.0%	1.9%	16.5%	7.8%	4.1%	3.5%
19	Denver-Aurora-Lakewood Consumer Price Index (1982-84=100)	246.6	255.0	262.0	267.0	272.2	281.8	302.1	311.1	319.4
20	Change	2.8%	3.4%	2.7%	1.9%	2.0%	3.5%	7.2%	3.0%	2.7%

/A Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Nonresidential Construction Value is reported by Dodge Analytics (McGraw-Hill Construction) and includes new construction, additions, and major remodeling projects predominately at commercial and manufacturing facilities, educational institutions, and medical and government buildings. Nonresidential does not include non-building projects (such as streets, highways, bridges, and utilities).

/C In 2018, the geography and data frequency of this series were revised. 2017 and prior years represent Denver-Boulder-Greeley regional prices.

Table 2: National Economic Variables – History and Forecast

		Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024
<b>Inflation-Adjusted &amp; Current Dollar Income Accounts</b>										
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	\$17,680.3	\$18,079.1	\$18,606.8	\$19,032.7	\$18,384.7	\$19,428.4	\$20,132.6	\$20,615.8	\$21,048.8
2	Change	1.7%	2.3%	2.9%	2.3%	-3.4%	5.7%	3.0%	2.4%	2.1%
3	Personal Income (Billions) /B	\$16,096.9	\$16,850.2	\$17,706.0	\$18,424.4	\$19,627.6	\$21,076.8	\$21,709.1	\$22,686.0	\$23,389.2
4	Change	2.6%	4.7%	5.1%	4.1%	6.5%	7.4%	3.0%	4.5%	3.1%
5	Per-Capita Income (\$/person) /B	\$49,880	\$51,861	\$54,129	\$55,950	\$59,208	\$63,505	\$65,097	\$67,945	\$69,786
6	Change	1.9%	4.0%	4.4%	3.4%	5.8%	7.3%	2.5%	4.4%	2.7%
7	Wage and Salary Income (Billions)	\$8,091.2	\$8,474.7	\$8,900.5	\$9,323.5	\$9,444.1	\$10,327.0	\$11,204.6	\$11,787.3	\$12,247.0
8	Change	2.9%	4.7%	5.0%	4.8%	1.3%	9.3%	8.5%	5.2%	3.9%
<b>Population &amp; Employment</b>										
9	Population (Millions)	322.7	324.9	327.1	329.3	331.5	331.9	333.5	333.9	335.2
10	Change	0.7%	0.7%	0.7%	0.7%	0.7%	0.1%	0.6%	0.6%	0.5%
11	Unemployment Rate	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	3.6%	3.6%
12	Total Nonagricultural Employment (Millions)	144.3	146.6	148.9	150.9	142.2	146.1	151.4	152.8	153.8
13	Change	1.8%	1.6%	1.6%	1.3%	-5.8%	2.8%	3.6%	1.0%	0.7%
<b>Other Key Indicators</b>										
14	Consumer Price Index (1982-84=100)	240.0	245.1	251.1	255.7	258.8	271.0	289.9	298.0	305.1
15	Change	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	7.0%	2.8%	2.4%
16	Corporate Profits (Billions)	\$2,037.7	\$2,128.9	\$2,305.0	\$2,367.8	\$2,243.8	\$2,800.2	\$2,912.2	\$2,897.7	\$2,944.0
17	Change	-1.1%	4.5%	8.3%	2.7%	-5.2%	24.8%	4.0%	-0.5%	1.6%
18	Housing Permits (Millions)	1.210	1.280	1.330	1.390	1.470	1.710	1.880	2.000	2.080
19	Change	2.0%	6.3%	3.6%	4.3%	6.1%	16.3%	9.6%	6.8%	4.0%
20	Retail Trade (Billions)	\$5,506.1	\$5,732.9	\$5,985.1	\$6,184.6	\$6,215.1	\$7,418.1	\$7,922.5	\$8,215.7	\$8,470.4
21	Change	2.9%	4.1%	4.4%	3.3%	0.5%	19.4%	6.8%	3.7%	3.1%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3: General Fund Revenue Estimates by Tax Category /A

		Actual	Percent	Estimate	Percent	Estimate	Percent	Estimate	Percent
	Category	FY 2020-21	Change	FY 2021-22	Change	FY 2022-23	Change	FY 2023-24	Change
<b>Excise Taxes</b>									
1	Sales	\$3,418.1	6.9%	\$3,912.5	14.5%	\$4,126.7	5.5%	\$4,278.7	3.7%
2	Use	\$214.2	1.8%	\$239.1	11.6%	\$246.0	2.9%	\$252.1	2.5%
3	Retail Marijuana Sales - Special Sales Tax	\$288.2	17.4%	\$266.2	-7.6%	\$278.2	4.5%	\$287.9	3.5%
4	Cigarette	\$30.1	-7.3%	\$30.4	0.9%	\$30.2	-0.8%	\$29.9	-1.1%
5	Tobacco Products	\$29.0	19.1%	\$25.4	-12.4%	\$26.4	3.7%	\$27.0	2.1%
6	Liquor	\$53.4	6.6%	\$56.1	5.1%	\$57.2	2.0%	\$58.8	2.7%
7	Proposition EE/Nicotine	\$49.0	N/A	\$214.1	336.8%	\$228.2	6.6%	\$235.6	3.2%
8	<b>Total Excise</b>	<b>\$4,082.1</b>	<b>8.6%</b>	<b>\$4,743.9</b>	<b>16.2%</b>	<b>\$4,992.9</b>	<b>5.2%</b>	<b>\$5,169.9</b>	<b>3.5%</b>
<b>Income Taxes</b>									
9	Net Individual Income	\$9,478.1	9.6%	\$10,718.2	13.1%	\$10,983.2	2.5%	\$11,333.0	3.2%
10	Net Corporate Income	\$1,183.7	62.5%	\$1,176.1	-0.6%	\$1,059.4	-9.9%	\$1,068.9	0.9%
11	<b>Total Income</b>	<b>\$10,661.8</b>	<b>13.7%</b>	<b>\$11,894.3</b>	<b>11.6%</b>	<b>\$12,042.6</b>	<b>1.2%</b>	<b>\$12,401.9</b>	<b>3.0%</b>
12	<i>Less: State Education Fund Diversion</i>	\$874.6	35.2%	\$892.1	2.0%	\$903.2	1.2%	\$930.1	3.0%
13	<b>Total Income to General Fund</b>	<b>\$9,787.2</b>	<b>12.2%</b>	<b>\$11,002.2</b>	<b>12.4%</b>	<b>\$11,139.4</b>	<b>1.2%</b>	<b>\$11,471.8</b>	<b>3.0%</b>
<b>Other Revenue</b>									
14	Insurance	\$336.3	-0.3%	\$354.6	5.4%	\$437.0	23.2%	\$458.8	5.0%
15	Interest Income	\$50.0	60.9%	\$53.9	7.7%	\$36.8	-31.7%	\$42.4	15.2%
16	Pari-Mutuel	\$0.3	-21.2%	\$0.3	13.8%	\$0.3	-2.0%	\$0.3	-2.0%
17	Court Receipts	\$3.5	-9.8%	\$3.5	1.2%	\$3.7	4.5%	\$3.7	0.0%
18	Other Income	\$50.7	423.4%	\$28.7	-43.5%	\$29.7	3.6%	\$32.1	8.1%
19	<b>Total Other</b>	<b>\$440.9</b>	<b>15.3%</b>	<b>\$441.0</b>	<b>0.0%</b>	<b>\$507.6</b>	<b>15.1%</b>	<b>\$537.3</b>	<b>5.9%</b>
20	<b>GROSS GENERAL FUND</b>	<b>\$14,310.1</b>	<b>11.2%</b>	<b>\$16,187.2</b>	<b>13.1%</b>	<b>\$16,639.8</b>	<b>2.8%</b>	<b>\$17,179.0</b>	<b>3.2%</b>

/A Dollars in millions.

Table 4: General Fund Overview /A

	Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	
<b>Revenue</b>					
1	<b>Beginning Reserve</b>	<b>\$1,825.7</b>	<b>\$3,178.0</b>	<b>\$3,725.2</b>	<b>\$2,205.4</b>
2	<b>Gross General Fund Revenue</b>	<b>\$14,310.1</b>	<b>\$16,187.2</b>	<b>\$16,639.8</b>	<b>\$17,179.0</b>
3	<i>Transfers to the General Fund</i>	\$336.818	\$35.8	\$34.7	\$36.9
4	<b>TOTAL GENERAL FUND AVAILABLE</b>	<b>\$16,472.6</b>	<b>\$19,400.9</b>	<b>\$20,399.6</b>	<b>\$19,421.3</b>
<b>Expenditures</b>					
5	<b>Appropriation Subject to Limit</b>	<b>\$10,979.1</b>	<b>\$12,003.3</b>	<b>\$13,482.4</b>	<b>\$15,045.8</b>
6	<i>Dollar Change (from prior year)</i>	-\$826.0	\$1,024.2	\$1,479.1	\$1,563.4
7	<i>Percent Change (from prior year)</i>	-7.0%	9.3%	12.3%	11.6%
8	<b>Spending Outside Limit</b>	<b>\$2,347.9</b>	<b>\$3,672.4</b>	<b>\$4,711.8</b>	<b>\$2,118.6</b>
9	<i>TABOR Refund under Art. X, Section 20, (7) (d)</i>	\$547.9	\$2,229.2	\$2,029.2	\$1,328.2
10	<i>Homestead Exemption (Net of TABOR Refund)</i>	\$157.9	\$0.0	\$0.0	\$0.0
11	<i>Other Rebates and Expenditures</i>	\$137.9	\$141.6	\$143.4	\$144.7
12	<i>Transfers for Capital Construction</i>	\$43.0	\$354.0	\$391.6	\$50.0
13	<i>Transfers for Transportation</i>	\$30.0	\$294.0	\$205.0	\$0.0
14	<i>Transfers to State Education Fund</i>	\$113.0	\$123.0	\$450.0	\$0.0
15	<i>Transfers to Other Funds</i>	\$1,318.3	\$530.7	\$1,492.6	\$595.8
16	<b>TOTAL GENERAL FUND OBLIGATIONS</b>	<b>\$13,327.1</b>	<b>\$15,675.7</b>	<b>\$18,194.2</b>	<b>\$17,164.4</b>
17	<i>Percent Change (from prior year)</i>	4.8%	17.6%	16.1%	-5.7%
18	<i>Reversions and Accounting Adjustments</i>	-\$32.4	\$0.0	\$0.0	\$0.0
<b>Reserves</b>					
19	<b>Year-End General Fund Balance</b>	<b>\$3,178.0</b>	<b>\$3,725.2</b>	<b>\$2,205.4</b>	<b>\$2,256.9</b>
20	<i>Year-End General Fund as a % of Appropriations</i>	28.9%	31.0%	16.4%	15.0%
21	<i>General Fund Statutory Reserve</i>	\$314.0	\$1,608.4	\$2,022.4	\$2,256.9
22	<i>Statutory Reserve %</i>	2.86%	13.4%	15.0%	15.0%
23	<i>Above/Below Statutory Reserve</i>	\$2,864.0	\$2,116.8	\$183.1	\$0.0

/A. FY 2020-21 and FY 2021-22 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 18, 2021. FY 2022-23 appropriations will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

Table 5: General Fund and State Education Fund Overview /A

	Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	
<b>Revenue</b>					
1	<b>Beginning Reserves</b>	<b>\$1,992.4</b>	<b>\$3,731.6</b>	<b>\$4,545.3</b>	<b>\$3,254.5</b>
2	<i>State Education Fund</i>	\$166.7	\$553.7	\$820.1	\$1,049.0
3	<i>General Fund</i>	\$1,825.7	\$3,178.0	\$3,725.2	\$2,205.4
4	<b>Gross State Education Fund Revenue</b>	<b>\$1,038.9</b>	<b>\$1,154.4</b>	<b>\$1,034.1</b>	<b>\$930.1</b>
5	Requested Transfer to State Education Fund	\$0.0	\$0.0	\$450.0	\$0.0
6	<b>Gross General Fund Revenue /B</b>	<b>\$14,646.9</b>	<b>\$16,223.0</b>	<b>\$16,674.4</b>	<b>\$17,215.9</b>
7	<b>TOTAL FUNDS AVAILABLE FOR EXPENDITURE</b>	<b>\$17,678.2</b>	<b>\$21,109.0</b>	<b>\$22,253.7</b>	<b>\$21,400.5</b>
<b>Expenditures</b>					
8	General Fund Expenditures /C	\$13,327.1	\$15,675.7	\$18,194.2	\$17,164.4
9	State Education Fund Expenditures	\$651.9	\$888.0	\$1,255.1	\$1,661.5
10	<b>TOTAL OBLIGATIONS</b>	<b>\$13,978.9</b>	<b>\$16,563.7</b>	<b>\$19,449.3</b>	<b>\$18,825.9</b>
11	<i>Percent Change (from prior year)</i>	4.2%	18.5%	17.4%	-3.2%
12	<i>Reversions and Accounting Adjustments</i>	-\$32.4	\$0.0	\$0.0	\$0.0
<b>Reserves</b>					
13	<b>Year-End Balance</b>	<b>\$3,731.6</b>	<b>\$4,545.3</b>	<b>\$3,254.5</b>	<b>\$2,574.6</b>
14	State Education Fund	\$553.7	\$820.1	\$1,049.0	\$317.7
15	General Fund	\$3,178.0	\$3,725.2	\$2,205.4	\$2,256.9
16	<i>General Fund Above/Below Statutory Reserve</i>	\$2,864.0	\$4,233.5	\$366.1	\$0.0

/A FY 2020-21 and FY 2021-22 expenditures reflect all legislation that has passed through both the Colorado House and Senate as of June 18, 2021. FY 2022-23 appropriations will be adopted in future budget legislation. Therefore, FY 2022-23 expenditures and fund balance projections shown are illustrative only. Dollars in millions.

/B These amounts include the following transfers: \$115.8 million in FY 2020-21, \$248.1 million in FY 2021-22, and \$124.0 million in FY 2022-23.

/C This amount includes transfers to the General Fund.

/D General Fund expenditures include appropriations subject to the limit of 5.0 percent of Colorado personal income as well as all spending outside the limit.

Table 6: Cash Fund Revenue Subject to TABOR /A

Category	Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24
1 <b>Transportation-Related /A</b>	<b>\$1,155.8</b>	<b>\$1,225.9</b>	<b>\$1,241.2</b>	<b>\$1,358.3</b>
2 Change	-3.5%	6.1%	1.2%	9.4%
3 <b>Limited Gaming Fund /B</b>	<b>\$101.8</b>	<b>\$140.8</b>	<b>\$143.1</b>	<b>\$144.8</b>
4 Change	47.2%	38.3%	1.6%	1.2%
7 <b>Regulatory Agencies</b>	<b>\$89.1</b>	<b>\$90.1</b>	<b>\$85.2</b>	<b>\$88.5</b>
8 Change	9.9%	1.1%	-5.4%	3.9%
9 <b>Insurance-Related</b>	<b>\$21.0</b>	<b>\$24.3</b>	<b>\$21.4</b>	<b>\$21.5</b>
10 Change	-15.7%	15.5%	-11.9%	0.5%
11 <b>Severance Tax</b>	<b>\$14.7</b>	<b>\$165.2</b>	<b>\$175.2</b>	<b>\$128.0</b>
12 Change	-88.8%	1025.3%	6.0%	-26.9%
13 <b>Other Miscellaneous Cash Funds</b>	<b>\$857.5</b>	<b>\$861.5</b>	<b>\$886.7</b>	<b>\$924.3</b>
14 Change	17.2%	0.5%	2.9%	4.2%
15 <b>TOTAL CASH FUND REVENUE</b>	<b>\$2,240.0</b>	<b>\$2,507.9</b>	<b>\$2,552.8</b>	<b>\$2,665.5</b>
16 Change	0.1%	12.0%	1.8%	4.4%

/A Includes revenue from Senate Bill 09-108 (FASTER) which began in FY 2009-10. Roughly 40 percent of FASTER-related revenue is directed to State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table. Dollars in millions. Additionally, includes the impact of SB 21-260 which dedicates funding and creates new state enterprises to enable the planning, funding, development, construction, maintenance, and supervision of a sustainable transportation system.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in House Bill 09-1272.

Table 7: TABOR and the Referendum C Revenue Limit/A

	Actual FY 2020-21	Estimate FY 2021-22	Estimate FY 2022-23	Estimate FY 2023-24	
<b>TABOR Revenues</b>					
1	General Fund /A	\$13,929.8	\$15,709.8	\$16,136.4	\$16,655.5
	<i>Percent Change from Prior Year</i>	10.3%	12.8%	2.7%	3.2%
2	Cash Funds /A	\$2,240.0	\$2,507.9	\$2,552.8	\$2,665.5
	<i>Percent Change from Prior Year</i>	-0.2%	12.0%	1.8%	4.4%
3	<b>Total TABOR Revenues</b>	<b>\$16,169.8</b>	<b>\$18,217.7</b>	<b>\$18,689.2</b>	<b>\$19,321.0</b>
	<i>Percent Change from Prior Year</i>	8.7%	12.7%	2.6%	3.4%
<b>Revenue Limit Calculation</b>					
4	Previous calendar year population growth	1.2%	0.3%	0.7%	0.8%
5	Previous calendar year inflation	1.9%	2.0%	3.5%	7.2%
6	<b>Allowable TABOR Growth Rate</b>	<b>3.1%</b>	<b>2.2%</b>	<b>4.2%</b>	<b>8.0%</b>
7	TABOR Limit /B	\$12,628.1	\$12,905.9	\$13,447.9	\$14,523.8
8	General Fund Exempt Revenue Under Ref. C /C	\$3,016.3	\$3,082.6	\$3,212.1	\$3,469.0
9	<b>Revenue Cap Under Ref. C /B /D</b>	<b>\$15,644.3</b>	<b>\$15,988.5</b>	<b>\$16,660.0</b>	<b>\$17,992.8</b>
10	<i>Amount Above/Below Cap</i>	\$525.5	\$2,229.2	\$2,029.2	\$1,328.2
11	<b>Revenue to be Refunded including Adjustments from Prior Years /E</b>	<b>\$547.9</b>	<b>\$2,229.2</b>	<b>\$2,029.2</b>	<b>\$1,328.2</b>
12	TABOR State Emergency Reserve Requirement	\$469.3	\$479.7	\$499.8	\$539.8

/A Amounts differ from the revenue totals reported in Table 3, 6 due to accounting adjustments, and some General Fund revenue is exempt from TABOR. Dollars in millions.

/B The TABOR limit and Referendum C cap are adjusted to account for changes in the enterprise status of various state entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenue" or the "Revenue Cap under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period. SB 17-267 reduced the Referendum C cap by \$200 million in FY 2017-18. SB 21-260 raises the Referendum C cap back to its pre-SB 17-267 levels, adjusted for inflation and population growth since the passage of SB 17-267. The new cap, in line with the original Referendum C 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.

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**APPENDIX H**  
**Leased Property Relating to the Certificates<sup>1</sup>**

The following table describes the Leased Property subject to the Leases between the Trustee and the State relating to the Certificates to be outstanding upon the execution and delivery of the Series 2022 Certificates.

**2022 Leased Property**

<u>Campus/Building</u>	<u>City</u>	<u>Fair Market Value<sup>2</sup></u>
Department of Agriculture (86 bldgs)	Pueblo	\$145,760,979
Department of Corrections (66 bldgs)	Canon City, Delta, Rifle	55,387,471
Department of Human Services (66 bldgs)	Homelake, Watkins	62,985,540
Department of Personnel & Administration (3 bldgs)	Denver	114,369,500
Department of Transportation (9 bldgs)	Castle Rock, Greenwood Village Hesperus	14,667,408
<b>TOTAL</b>		<b>\$393,170,898</b>

**2021 Leased Property**

<u>Campus/Building</u>	<u>City</u>	<u>Fair Market Value<sup>2</sup></u>
Department of Human Services - Colorado Mental Health Institute Campus (46 bldgs) <sup>3,4</sup>	Pueblo	\$291,689,299
Department of Personnel & Administration - State Services Building (1 bldg)	Grand Junction	9,404,375
Department of Personnel & Administration - Division of Capital Assets Campus (3 bldgs)	Denver	9,576,575
Fort Lyons Correctional Facility (83 bldgs) <sup>5</sup>	Fort Lyons	103,547,885
<b>TOTAL</b>		<b>\$414,218,134</b>

**2020 Leased Property**

<u>Campus</u>	<u>City</u>	<u>Fair Market Value<sup>2</sup></u>
Arrowhead Correctional Center (16 bldgs)	Canon City	28,179,744
Centennial Correctional Facility (6 bldgs)	Canon City	\$202,452,156
Colorado Correctional Industries (67 bldgs or facilities)	Canon City	26,840,682
Denver Women's Correctional Facility (9 bldgs)	Denver	38,014,326
East Canon City Prison Complex (19 bldgs)	Canon City	18,088,149
Four Mile Correctional Facility (14 bldgs)	Canon City	26,563,916
Fremont Correctional Facility (40 bldgs)	Canon City	85,438,863
Skyline Correctional Center (5 bldgs)	Canon City	7,602,669
<b>TOTAL</b>		<b>\$433,180,505</b>

**2018A Leased Property**

<u>Building</u>	<u>City</u>	<u>Fair Market Value<sup>2</sup></u>
Colorado State Patrol-Camp George West Training Facility <sup>6</sup>	Golden	\$10,465,250
Colorado State Penitentiary	Canon City	\$141,100,725
Denver Regional Diagnostic Center Administration/Support Bldg A-F <sup>7</sup>	Denver	\$54,548,180

Denver Regional Diagnostic Center Bldg G/H, Living Units 1/2, and Support <sup>6</sup>	Denver	\$19,368,875
Denver Regional Diagnostic Center Bldg I: Recreation <sup>7</sup>	Denver	\$3,355,530
Denver Regional Diagnostic Center Bldgs J/K, Living Units 3/4, and Support <sup>6</sup>	Denver	\$19,302,817
Denver Women’s Correctional Facility Central Plant/Maintenance <sup>7</sup>	Denver	\$10,711,425
Denver Women’s Correctional Facility Close/Special Needs Housing <sup>7</sup>	Denver	\$19,977,225
Denver Women’s Correctional Facility Medium Housing Building #3 <sup>7</sup>	Denver	\$13,552,650
Denver Women’s Correctional Facility Support <sup>7</sup>	Denver	\$19,661,525
Denver Women’s Correctional Facility Visiting/Ad-Seg <sup>7</sup>	Denver	\$13,469,602
Division of Central Services-Dale Tooley State Office - Public Safety <sup>8</sup>	Lakewood	\$13,452,100
Division of Central Services-Pierce Street <sup>9</sup>	Lakewood	\$16,774,125
Division of Central Services-Resources Park West - Public Safety <sup>8</sup>	Lakewood	\$11,012,600
Division of Central Services-State Office Building	Denver	\$26,752,500
Fremont Correctional Facility Cellhouse 6	Canon City	\$11,700,703
Fremont Correctional Facility Cellhouse 7	Canon City	\$10,444,600
Fremont Correctional Facility Cellhouse 8	Canon City	\$8,859,550
Fremont Correctional Facility Kitchen/Medical/Laundry Building	Canon City	\$11,385,350
San Carlos Correctional Facility Bldg 6	Pueblo	\$22,225,825
<b>TOTAL</b>		<b>\$458,121,157</b>

<sup>1</sup> The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in “Substitution of Leased Property” under “SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property.”

<sup>2</sup> As defined in the Glossary included in the form of 2018A Master Indenture attached as **Appendix B** hereto.

<sup>3</sup> A Phase I Environmental Site Assessment dated March 25, 2021 prepared by Ninyo & Moore (the “March 25 Ninyo & Moore ESA”) for the State Treasury reflected the presence of coal storage for a heating plant, multiple discarded transformers and multiple 55-gallon drums throughout the site. Records further reflected a history of multiple leaky underground storage tanks and removals of underground and above-ground storage tanks from the early 1990s through 2020. The March 25 Ninyo & Moore ESA recommends secondary containment of the drums, removal of the discarded transformers and collection of soil samples around the perimeter of the coal storage pad to test for potential contaminants leaching from the stockpile into the surrounding soils. A copy of the March 25 Ninyo & Moore ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at [LoriAnn.Knutson@coag.gov](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov).

<sup>4</sup> As a result of a surveyor mistakenly not conducting the full ALTA survey procedures ordered by the State in connection with the procurement of title insurance on this property, the title commitment for this property will be issued with the following exceptions: “(1) any facts, rights, interests or claims that are not shown by the Public Records but which could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land; (2) easements, liens or encumbrances, or claims thereof, not shown by the Public Records; and (3) any encroachments, encumbrances, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by Public Records.” The State is currently unaware of any defects to title for this property that might arise under these exceptions, but has covenanted in the 2022 Lease to either (a) take such action as necessary to have a certified ALTA/NSPS Land Title Survey delivered by a Colorado Registered Professional Land Surveyor with respect to this property so that a title insurance policy, or an amendment of, or an endorsement or supplement to the issued title insurance policy containing extended survey coverage (subject to any matters disclosed in the survey) is provided with respect to the property which is reasonably acceptable to the State; or (b) by no later than June 30, 2022, substitute other property for this property in accordance with the provisions of the 2022 Lease. Should there be a need to substitute property, the State believes that it has more than sufficient properties available to make such substitution.

<sup>5</sup> A Phase I Environmental Site Assessment dated April 30, 2021 prepared by Pinyon Environmental, Inc. (the “April 30 Pinyon ESA”) for the State Treasury reflected the presence of a former landfill and possible historical drycleaning operations at the site. Records further reflect weapons range soil that was remediated by the Environmental Protection Agency and ongoing remediation of asbestos and lead on site. A copy of the April 30 Pinyon ESA is available upon request by contacting LoriAnn Knutson or Xan Serocki in the Office of the Colorado Attorney General at [LoriAnn.Knutson@coag.gov](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov).

<sup>6</sup> 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](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov). The State has agreed to a land swap of this property which is scheduled to close on June 16, 2022 after execution and delivery of the 2022 Certificates. The State intends to add additional Leased Property to compensate for the removal of this property.

<sup>7</sup> 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](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov).

- <sup>8</sup> 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](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov).
- <sup>9</sup> 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](mailto:LoriAnn.Knutson@coag.gov) or [Xan.Serocki@coag.gov](mailto:Xan.Serocki@coag.gov).

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## APPENDIX I

### Certain State Economic and Demographic Information

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in the State as of the dates indicated. See also “INTRODUCTION – State Economic and Demographic Information.” The statistics have been obtained from the referenced sources and represent the most current information available as of May 2022 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State or any officer or employee of or advisor to the State.* See also “**Appendix A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts.**”

#### Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open, and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State’s metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

The State’s population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Fort Collins/Greeley, Denver/Boulder, Colorado Springs, and Pueblo. Denver, the State’s capital, is the economic center of the State and the Rocky Mountain region. About 56 percent of the State’s population and 62 percent of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communications, financial activities, and professional and business services. The aerospace, bioscience, and energy industries are also key contributors to economic activity in the Denver/Boulder metropolitan area and the State as a whole.

The State’s economic performance depends heavily on economic performance at the national level. See also “**Appendix A – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts.**”

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## Population and Age Distribution

The following table provides population figures for Colorado and the United States for the past 10 years.

	Population Estimates (as of July 1)			
	Colorado		United States	
	Population (millions)	% Change	Population (millions)	% Change
2011	5.1	1.4%	311.6	0.7%
2012	5.2	1.4%	313.8	0.7%
2013	5.3	1.5%	316.0	0.7%
2014	5.3	1.5%	318.3	0.7%
2015	5.4	1.9%	320.6	0.7%
2016	5.5	1.5%	322.9	0.7%
2017	5.6	1.3%	325.0	0.6%
2018	5.7	1.4%	326.7	0.5%
2019	5.7	1.0%	328.2	0.5%
2020	5.8	0.8%	331.5	1.0%
2021	5.8	0.8%	331.9	0.1%

Note: U.S. figures for 2011-2019 are estimates based on the 2010 Census. U.S. 2020-2021 figures are estimates based on the 2020 Census. Colorado figures for 2011-2020 are estimates and the 2021 count 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, 2021		United States, 2021	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.24	21.3%	73.57	22.2%
18 to 24	0.57	9.7%	30.09	9.1%
25 to 44	1.69	29.0%	88.90	26.8%
45 to 64	1.43	24.6%	83.49	25.2%
65+	0.90	15.5%	55.85	16.8%
Total	5.83	100.0%	331.89	100.0%
Median Age <sup>1</sup>	37.5		38.5	

<sup>1</sup>U.S. median age is based on Census Estimates for 2020.

Note: Totals may not add due to rounding. The U.S. 2021 count is an estimate, and the Colorado 2021 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 <sup>1</sup>					
	Colorado		Rocky Mountain Region <sup>2</sup>		United States	
	Income	% Change	Income	% Change	Income	% Change
2016	\$52,390	0.1%	\$47,294	0.6%	\$49,613	1.8%
2017	\$55,294	5.5%	\$49,534	4.7%	\$51,573	4.0%
2018	\$58,471	5.7%	\$52,220	5.4%	\$53,817	4.4%
2019	\$61,087	4.5%	\$54,605	4.6%	\$55,724	3.5%
2020	\$64,034	4.8%	\$57,469	5.2%	\$59,147	6.1%
2021	\$69,016	7.8%	\$61,587	7.2%	\$63,444	7.3%

<sup>1</sup>Per capita personal income is total personal income divided by the July 1 population estimate.

<sup>2</sup>The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.

Source: U.S. Bureau of Economic Analysis.

## Employment

The following table provides 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) <sup>1</sup>	%	Annual Average Unemployment Rate	
					Change	Colorado
2017	2,963.8		2,886.0		2.6%	4.4%
2018	3,049.6	2.9%	2,957.7	2.5%	3.0%	3.9%
2019	3,100.6	1.7%	3,019.9	2.1%	2.6%	3.7%
2020	3,087.3	-0.4%	2,874.9	-4.8%	6.9%	8.1%
2021	3,156.1	2.2%	2,986.7	3.9%	5.4%	5.3%
Year-to-date averages through March:						
2021	3,113.2		2,913.9		6.4%	6.5%
2022	3,217.3	3.3%	3,094.1	6.2%	3.8%	4.1%

<sup>1</sup>Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.

Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

**Average Annual Number of Employees by Industry**

Industry	2016	2017	2018	2019	2020	Most Recent Quarter		
						2021Q2	2021Q3	% Change
<b>Private Sector</b>								
Agriculture, Forestry, Fishing, and Hunting	16,473	17,594	18,153	19,756	20,065	20,689	21,161	2.3%
Mining	23,575	25,800	28,204	28,636	21,568	19,724	19,696	-0.1%
Utilities	8,239	8,079	8,030	8,168	8,305	8,482	8,519	0.4%
Construction	155,148	163,473	173,096	178,880	174,730	177,796	180,866	1.7%
Manufacturing	142,383	144,067	147,285	150,109	146,473	147,859	149,064	0.8%
Wholesale Trade	104,873	106,721	108,350	110,256	107,358	109,104	110,351	1.1%
Retail Trade	269,066	270,792	272,773	272,173	261,742	271,008	270,345	-0.2%
Transportation and Warehousing	68,330	72,583	77,449	83,414	88,481	87,716	91,467	4.3%
Information	71,768	71,641	75,076	76,292	74,867	75,631	77,001	1.8%
Finance and Insurance	108,984	111,298	112,657	112,749	113,206	115,682	115,943	0.2%
Real Estate and Rental and Leasing	48,749	50,572	52,144	54,523	52,064	53,969	55,369	2.6%
Professional and Technical Services	210,192	215,830	224,584	235,451	239,190	252,158	257,190	2.0%
Management of Companies and Enterprises	36,854	39,011	40,788	42,318	41,930	43,074	43,578	1.2%
Administrative and Waste Services	158,568	158,048	158,574	161,844	149,247	155,213	161,382	4.0%
Educational Services	34,993	35,375	36,695	37,634	34,350	36,390	35,961	-1.2%
Health Care and Social Assistance	286,585	293,468	298,580	303,863	297,859	305,036	304,502	-0.2%
Arts, Entertainment, and Recreation	52,730	55,407	56,848	58,971	44,373	49,617	54,413	9.7%
Accommodation and Food Services	270,687	277,783	282,559	285,965	227,307	252,059	273,331	8.4%
Other Services	78,042	80,034	82,040	84,571	76,766	80,173	82,802	3.3%
Unclassified	552	167	1,818	2,562	2,118	1,321	2,322	75.8%
<b>Government</b>	405,713	412,028	418,327	427,971	420,370	423,859	417,995	-1.4%
<b>Total*</b>	<b>2,552,503</b>	<b>2,609,770</b>	<b>2,674,030</b>	<b>2,736,105</b>	<b>2,602,371</b>	<b>2,686,561</b>	<b>2,733,259</b>	<b>1.7%</b>

\*Industry employment levels may not add to total due to rounding.

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

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The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2022. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado		
Employer	Type of Business	Estimated Employees <sup>1</sup>
Wal-Mart	General Merchandise	31,100
UCHealth	Healthcare, Research	28,400
The Kroger Co. (King Soopers/City Market)	Supermarkets	22,000
Amazon	Warehousing & Distribution Services	20,000
Centura Health	Healthcare	18,300
Intermountain Healthcare	Healthcare	12,400
HealthONE Corporation	Healthcare	12,200
Lockheed Martin Corporation	Aerospace & Defense Related Systems	11,100
Comcast	Telecommunications	9,000
Children's Hospital Colorado	Healthcare	8,100
Home Depot	Building Materials Retailer	8,000
Target Corporation	General Merchandise	7,900
Safeway Inc.	Supermarkets	7,300
Kaiser Permanente	Health Maintenance Organization	7,200
United Airlines	Airline	7,100
DISH Network	Satellite TV & Equipment	6,300
Ball Corporation	Aerospace, Containers	6,100
United Parcel Service	Logistics	6,100
Lumen Technologies	Telecommunications	6,100
Vail Resorts	Leisure & Hospitality	6,100
JBS Swift & Company	Beef Processing/Corporate Office	5,500
FedEx Corp.	Transportation, E-commerce	5,400
Banner Health	Healthcare	5,100
Wells Fargo	Banking/Financial Services	4,900
Southwest Airlines	Airline	4,700
Oracle	Software & Network Computer Systems	4,400
Lowe's Companies, Inc.	Building Materials Retailer	4,300
Charter Communications	Telecommunications	4,000
Progressive Casualty Insurance Company	Insurance	4,000
Xcel Energy	Utility	3,900
University of Denver	Private University	3,800
UnitedHealthcare	Insurance	3,600
Walgreen Company	General Merchandise	3,600
Charles Schwab	Financial Services	3,500
Hewlett Packard	Technology Product Design	3,500
Vestas	Wind Turbine Manufacturer	3,000
Empower Retirement	Insurance & Retirement Savings Services	3,000
Frontier Airlines	Airline	3,000
Raytheon Company	Aerospace Systems & Software	2,900
GMRI Inc	Restaurants	2,800

<sup>1</sup>Figures include both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2022.

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The following table shows the largest public sector employers in Colorado based on the most current information available as of May 2022.

**Estimated Largest Public Sector Employers in Colorado**

<b>Employer</b>	<b>Estimated Employees<sup>1</sup></b>
State of Colorado	59,200
Federal Government (except USPS)	45,200
University of Colorado System	37,000
Denver Public Schools	15,000
City & County of Denver	12,700
Jefferson County Public Schools	11,100
U.S. Postal Service	9,500
Douglas County School District RE-1	8,400
Denver Health	8,000
Colorado State University	7,600
Cherry Creek School District 5	7,400
Aurora Public Schools	5,600
Adams 12 Five Star Schools	4,900
Boulder Valley School District RE-2	4,300
Poudre School District R-1	4,300
St. Vrain Valley School District RE-1J	4,100
City of Aurora	4,000
Jefferson County	3,600
Colorado Springs School District 11	3,600
Academy Schools District 20	3,500
U.S. Department of Veterans Affairs	3,200
Mesa County Valley School District 51	3,000
Arapahoe County	3,000
El Paso County	2,900
City of Colorado Springs	2,800

<sup>1</sup>Includes both full- and part-time employees.

Source: Compiled by Development Research Partners from various sources, May 2022.

**Retail Sales**

The following table provides the most recent annual sales figures as reported for state sales tax purposes.

**Colorado Sales and Use Tax Net Collections  
Fiscal Years 2017 to 2021**

	<b>Sales Tax</b>		<b>Use Tax</b>	
	<b>Amount (thousands)</b>	<b>% Change</b>	<b>Amount (thousands)</b>	<b>% Change</b>
2017	\$2,719,778	4.8%	\$258,604	6.1%
2018	\$2,906,717	6.9%	\$305,192	18.0%
2019	\$3,031,974	4.3%	\$343,489	12.5%
2020	\$3,186,143	5.1%	\$226,116	-34.2%
2021	\$3,450,454	8.3%	\$210,754	-6.8%

Source: Colorado Department of Revenue.

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The following table provides retail sales totals by industry for the State for the most recent five years.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year										
Industry	2017	% Change	2018	% Change	2019	% Change	2020	% Change	2021	% Change
Agriculture/Forestry/Fishing	417.9	-25.3%	587.2	40.5%	521.1	-11.3%	491.8	-5.6%	NR	--
Mining	3,665.9	47.5%	4,411.7	20.3%	3,938.3	-10.7%	3,065.7	-22.2%	5,172.2	68.7%
Utilities	7,570.4	3.7%	7,665.8	1.3%	8,031.0	4.8%	7,512.2	-6.5%	8,489.0	13.0%
Construction	5,133.6	8.3%	5,758.0	12.2%	6,124.0	6.4%	6,148.5	0.4%	6,650.1	8.2%
Manufacturing	16,217.9	10.5%	17,360.8	7.0%	15,992.7	-7.9%	16,906.4	5.7%	18,036.2	6.7%
Wholesale Trade	14,530.3	-2.3%	15,407.4	6.0%	18,109.6	17.5%	20,374.5	12.5%	22,736.5	11.6%
<b>Retail Trade</b>										
Motor Vehicle and Auto Parts	20,614.6	4.7%	21,190.4	2.8%	21,986.4	3.8%	21,918.4	-0.3%	26,480.5	20.8%
Furniture and Furnishings	3,126.0	3.5%	3,265.9	4.5%	3,371.4	3.2%	3,333.6	-1.1%	4,007.5	20.2%
Electronics and Appliances	2,617.2	3.3%	2,830.3	8.1%	2,956.9	4.5%	2,849.8	-3.6%	3,282.1	15.2%
Building Materials/Nurseries	7,283.2	7.1%	7,465.8	2.5%	7,413.9	-0.7%	8,891.0	19.9%	10,429.3	17.3%
Food/Beverage Stores	17,655.4	5.1%	18,794.5	6.5%	18,927.9	0.7%	20,189.0	6.7%	21,466.7	6.3%
Health and Personal Care	5,355.2	5.7%	5,672.5	5.9%	6,015.3	6.0%	6,734.3	12.0%	7,312.8	8.6%
Gas Stations	4,528.5	5.1%	4,863.8	7.4%	4,556.7	-6.3%	3,957.2	-13.2%	5,057.7	27.8%
Clothing and Accessories	3,848.5	0.1%	3,999.7	3.9%	4,413.8	10.4%	3,623.6	-17.9%	5,116.4	41.2%
Sporting/Hobby/Books/Music	2,879.5	-4.7%	2,960.5	2.8%	3,075.7	3.9%	3,256.0	5.9%	3,908.7	20.0%
General Merchandise/Warehouse	13,758.0	4.6%	14,387.6	4.6%	14,788.7	2.8%	16,068.0	8.7%	17,976.8	11.9%
Misc Store Retailers	6,529.4	13.2%	6,645.2	1.8%	7,214.1	8.6%	7,010.0	-2.8%	8,192.4	16.9%
Non-Store Retailers	2,921.3	27.8%	3,279.3	12.3%	5,054.7	54.1%	10,776.8	113.2%	12,153.8	12.8%
<b>Total Retail Trade</b>	<b>91,117.0</b>	<b>5.6%</b>	<b>95,355.7</b>	<b>4.7%</b>	<b>99,775.5</b>	<b>4.6%</b>	<b>108,607.7</b>	<b>8.9%</b>	<b>125,384.8</b>	<b>15.4%</b>
Transportation/Warehouse	944.6	9.2%	1,292.4	36.8%	1,096.3	-15.2%	1,222.5	11.5%	1,455.4	19.0%
Information	5,382.5	2.7%	4,971.1	-7.6%	5,819.5	17.1%	4,250.2	-27.0%	5,140.8	21.0%
Finance/Insurance	2,107.9	-21.7%	2,469.4	17.2%	2,761.9	11.8%	3,340.1	20.9%	NR	--
Real Estate/Rental/Lease	4,875.5	6.6%	5,423.2	11.2%	5,907.9	8.9%	5,140.4	-13.0%	5,859.7	14.0%
Professional/Scientific/Technical	6,794.1	2.3%	7,753.2	14.1%	7,859.6	1.4%	8,634.4	9.9%	9,478.6	9.8%
Admin/Support/Waste/Remediation	2,357.8	4.2%	2,384.4	1.1%	2,813.2	18.0%	3,237.8	15.1%	4,470.0	38.1%
Education	486.3	-1.5%	500.3	2.9%	434.8	-13.1%	349.9	-19.5%	546.1	56.1%
Health Care/Social Assistance	7,136.0	3.6%	7,044.5	-1.3%	16,093.3	128.5%	16,236.4	0.9%	17,823.9	9.8%
Arts/Entertainment/Recreation	1,564.5	7.3%	1,650.0	5.5%	1,781.7	8.0%	1,342.6	-24.6%	1,840.4	37.1%
Accommodation	4,773.3	10.0%	5,147.4	7.8%	5,771.3	12.1%	3,823.6	-33.7%	6,143.1	60.7%
Food/Drinking Services	13,020.4	6.0%	13,798.6	6.0%	14,511.8	5.2%	11,308.6	-22.1%	14,929.5	32.0%
Other Services	6,182.5	7.9%	6,751.4	9.2%	6,924.2	2.6%	6,438.5	-7.0%	8,096.2	25.7%
Government	363.7	18.4%	388.6	6.8%	351.2	-9.6%	380.3	8.3%	NR	--
<b>Total All Industries</b>	<b>194,642.0</b>	<b>5.4%</b>	<b>206,121.0</b>	<b>5.9%</b>	<b>224,618.9</b>	<b>9.0%</b>	<b>228,812.2</b>	<b>1.9%</b>	<b>268,328.8</b>	<b>17.3%</b>

Note: Reporting for 2019 and future years reflect new sourcing rules that may cause variations in the data reported from previous years.

NR = Not Reportable.

Source: Colorado Department of Revenue.

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## 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 <sup>1</sup>		Colorado Tourism Statistics								Skier Visits <sup>3</sup>	
		Conventions		Conventions <sup>2</sup>		Spending		Delegates			
Number (millions)	% Change	Number	% Change	Number (thousands)	% Change	Amount (millions)	% Change	Number	% Change		
2017	7.62	2.1%	84	27.3%	235.6	-2.9%	\$518.6	-4.6%	13.12	-2.0%	
2018	7.57	-0.7%	67	-20.2%	269.4	14.4%	\$560.6	8.1%	12.81	-2.4%	
2019	7.76	2.6%	80	19.4%	254.1	-5.7%	\$555.3	-0.9%	13.80	7.7%	
2020	6.03	-22.2%	12	-85.0%	65.0	-74.4%	\$131.0	-76.4%	11.15	-19.2%	
2021	7.82	29.6%	26	116.7%	78.1	20.2%	\$193.0	47.3%	12.00	7.6%	

<sup>1</sup>Count of recreational visitors for the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.

<sup>2</sup>Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.

<sup>3,4</sup>Count of skier visits for the season ending in the referenced year.

Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

## Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

**New Privately Owned Housing Units Authorized in Colorado**

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2017	24,338	344	415	15,576	40,673	4.4%
2018	26,134	374	414	15,705	42,627	4.8%
2019	24,756	352	370	13,155	38,633	-9.4%
2020	26,636	728	397	12,708	40,469	4.8%
2021	30,246	1,260	736	24,282	56,524	39.7%

Year-to-date totals through March:

2021	8,781	178	118	4,019	13,096	
2022	7,560	236	86	6,887	14,769	
% change	-13.9%	32.6%	-27.1%	71.4%	12.8%	

Source: U.S. Census Bureau.

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## Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

**Foreclosure Filings and Sales in Colorado**

	<b>Foreclosure Filings<sup>1</sup></b>	<b>% Change</b>	<b>Foreclosure Sales at Auction</b>	<b>% Change</b>
2016	7,666	-7.0%	3,128	-25.7%
2017	6,680	-12.9%	2,100	-32.9%
2018	5,884	-11.9%	1,461	-30.4%
2019	5,610	-4.7%	1,316	-9.9%
2020	2,130	-62.0%	628	-52.3%
2021 <sup>2</sup>	226	--	103	--

<sup>1</sup>Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.

<sup>2</sup>Filings and Sales through first quarter 2021.

Source: Colorado Division of Housing.

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## 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") Annual Comprehensive Financial Report for the Plan Year ended December 31, 2020 (the "PERA 2020 Annual Report"). The PERA 2020 Annual Report was prepared by PERA staff employees and the firm of Segal Consulting, PERA's independent actuary, and audited by CliftonLarsonAllen LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the Preliminary Notices on the inside cover page of this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2020 Annual Report 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 2020 Annual Report.*

The information in the State's Fiscal Year 2020-21 ACFR regarding PERA is derived from the PERA 2020 Annual Report.

### General Description

**Overview.** The State, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (generally for State employees) (the "**State Division**"), the School Division Trust Fund (for employees of school districts), the Local Government Division Trust Fund (for employees of numerous municipalities and other local governmental entities), the Judicial Division Trust Fund (for judges in the State) and the Denver Public Schools Division (for employees of DPS). The defined benefit plan for the State Division is referred to herein as the "State Division Plan."

As described in more detail under the caption "Funding of the State Division Plan" below, the State Division Plan is funded with payments made by the State and by each employee the amounts of which are determined and established by statute. Benefits provided through the State Division Plan are paid from the State Division Trust Fund. State employees hired after 2005 may, in lieu of participating in the State Division Plan, elect to participate in a defined contribution plan (the "**State Division DC Plan**") which is also administered by PERA. However, the majority of State employees participate in the State Division Plan. The State has no obligation to make contributions or fund benefits in Divisions other than the State Division and Judicial Division of PERA. See Notes 1 and 8 to the financial statements in the PERA 2020 Annual Report for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 6-8 to the financial statements in the State's Fiscal Year 2020-21 ACFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Other Post-Employment

Benefits” in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

**PERA.** PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the “**PERA Act**”). Management of PERA is vested in a 16 member Board of Trustees (the “**PERA Board**”). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA’s health care plans. PERA’s financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1 800-759-7372 or by visiting <http://www.copera.org>. The reference to PERA’s website is included herein for informational purposes only, and information available on such website or in PERA’s financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.

### **Basic Provisions of the State Division Plan**

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee’s original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 6-8 to the financial statements in the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement, the PERA 2020 Annual Report 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 2020 Annual Report for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

### **Implementation by PERA of GASB 67**

In 2012, GASB issued Statement No. 67, “Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25” (“**GASB 67**”), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 beginning with its Annual Comprehensive Financial Report for the Plan Year ended December 31, 2014.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, “Accounting and Financial Reporting for Pensions,” applies

to governmental employers and was implemented by the State beginning with the State's Fiscal Year 2014-15 ACFR. See "Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability<sup>1</sup> ("UAAL"). Net pension liability is to be measured as the total pension liability<sup>2</sup> of the plan less the amount of the plan's fiduciary net position<sup>3</sup>.

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

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<sup>1</sup> Unfunded actuarial accrued liability is the difference between the actuarial accrued liability, or "AAL" (being the excess of the present value of a pension fund's total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits), over the valuation assets of the fund.

<sup>2</sup> 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.

<sup>3</sup> 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, are prepared by PERA's actuaries based on a set of actuarial methods and assumptions that by State law are the responsibility of the PERA Board. The valuations for the State Division Plan examine the assets of the Plan compared to actuarial liabilities, compare past and future trends and determine the net pension liability of the Plan. The actuarial valuation for funding purposes applies an asset valuation method that recognizes a four-year smoothed market value of assets for purposes of determining the UAAL, while the actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine the net pension liability. See the Actuarial Section of the PERA 2020 Annual Report for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2020 Annual Report states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. Recently, the PERA Board has reviewed the economic assumptions on a more frequent basis. The PERA Board last completed an experience study in 2020.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of Plan assets, the net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

### **Funding of the State Division Plan**

***Statutorily Required Contributions.*** The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "SRC," of the State.

Effective July 1, 2022, the baseline SRC required to be made by the State for most State employees will be 21.40% of includable compensation (24.10% for State Troopers<sup>1,2</sup>). As required by statute, participants in the State Division Plan are also required to contribute a portion of their wages to the Plan. Per S.B. 18-200 discussed in the next paragraph, the participant contribution rate is to increase incrementally a total of 2% over a period of two years commencing July 1, 2019, as well as increases due to the automatic adjustment provision, which will result in the member contribution rate effective July 1, 2022, of 11.00% of includable compensation (13.00% of includable compensation for State Troopers). See the PERA 2020 Annual Report for additional information, as well as historical SRC and participant contribution rates.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement

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<sup>1</sup> "State Trooper" is defined in the PERA Act to include state employees of the Colorado State Patrol, Colorado Bureau of Investigation, certain corrections officers classified as I through IV, and certain firefighters I through VII hired by the division of fire prevention and control in the department of public safety.

<sup>2</sup> The baseline SRC does not include the defined contribution supplement, effective January 1, 2021, paid by the State on behalf of all employees who chose to participate in the DC plan, designed to compensate for the employer contributions paid to the DC plan participants that would otherwise go toward paying down PERA's UAAL.



(“AED”) and the Supplemental Amortization Equalization Disbursement (“SAED”) in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from money that would otherwise have been used to provide market-based salary increases to employees. The AED and the SAED applicable to the State Division Plan were effective as of January 1, 2006, and January 1, 2008, respectively, and were each initially payable at the rate of 0.5% of total covered payroll with annual increases in the contribution rate through 2017. As of July 1, 2020, the AED and SAED rates applicable to the State Division Plan were each 5.0%, and the total SRC applicable to the State Division Plan (net of 1.02% apportioned to the Health Care Trust Fund per the PERA Act) was 19.38% of employee wages (22.08% for State Troopers and CBI agents).

In addition, SB 18-200, enacted by the General Assembly in 2018, provides for automatic adjustments to employee and employer contribution rates within certain statutory parameters so as to stay within the legislation’s 30 year funding goal as discussed in “Funding Status of the State Division Plan” below. Previously, such adjustments required action by the General Assembly. SB 18-200 also provides that effective January 1, 2021, and every year thereafter, employer contribution rates for the State Division Plan are to be adjusted to include a defined contribution supplement. See also Note 6 to the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement and both the Management’s Discussion and Analysis and Note 4 to the financial statements in the PERA 2020 Annual Report.

S.B. 18-200 further requires the State to make an annual direct distribution to PERA of \$225 million (actual dollars) from State funds beginning in Fiscal Year 2018-19 and continuing annually on July 1 until there are no unfunded actuarial accrued liabilities in the trust fund of any Division that receives such distribution. PERA is to allocate the distribution to the State Division Trust Fund, the School Division Trust Fund, the Judicial Division Trust Fund and the Denver Public Schools Division Trust Fund based upon the covered payroll of each such Division. *However, per H.B. 20-1379, due to the actual and forecast impact of COVID-19 on the State’s revenues in Fiscal Years 2019-20 and 2020-21, this distribution has been suspended for Fiscal Year 2020-21 only, and thus PERA did not receive a direct distribution from the State until the payment scheduled for July 1, 2021.*

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State’s funding obligations with respect to the Plan.

The SRC is paid from the State General Fund as well as from certain federal funds and State cash funds and is typically paid from the same funding source as the employee’s salary and other benefits. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in “STATE FINANCIAL INFORMATION – Budget Process and Other Considerations” in the body of this Official Statement. The State has consistently contributed the full amount of the SRC to the State Division Plan.

**Actuarially Determined Contribution.** As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution<sup>1</sup>, or “ARC,” as a funding benchmark by PERA was no longer required. Rather, this philosophical shift necessitated the development and use of a plan specific actuarially determined contribution (“ADC”) benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ADC represents the amount needed to fund benefits over time, and constitutes a target or recommended employer contribution for the reporting period determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan’s expected long-term rate of return. See “*Historical ADC and State Contributions*” below.

***Change in PERA Funding Policy.*** In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 (and last revised in November 2018) with regard to its trust funds. The purpose of the revised funding policy, as stated in the PERA 2020 Annual Report, 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 2011-2020 (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency, and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of covered payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions from the December 31, 2019, actuarial valuation were used to determine contribution rates reported in the table for the year ended December 31, 2020: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan’s amortization period is based on a level percent of payroll over a 30-year closed period layered 28 years; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards; (iv) price inflation is assumed to be 2.40%; (v) real wage growth is assumed to be 1.10%; (vi) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 7.25%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 1.25% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates

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<sup>1</sup> Prior to 2014, PERA used the ARC as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year’s normal cost (i.e., the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year’s payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA’s Annual Comprehensive Financial Report for calendar year 2013.

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 2020 Annual Report.

**Table 1**  
**Employer Contributions**  
**State Division**  
(Dollar Amounts in Thousands)

<u>Calendar Year</u>	<u>ADC Rate<sup>1</sup></u>	<u>Covered Employee Payroll</u>	<u>Annual Increase Reserve Contribution<sup>2</sup></u>	<u>ADC Contribution<sup>3</sup></u>	<u>Contributions in Relation to the ADC</u>	<u>Annual Contribution Deficiency</u>	<u>Actual Contribution as a Percentage of Covered Employee Payroll</u>
2020	23.69%	\$3,089,161	\$19,442	\$751,264	\$646,386	\$104,878	20.92%
2019	23.28	2,995,453	17,663	715,004	689,370	25,634	23.01
2018	26.30	2,898,827	15,919	778,311	661,653	116,658	22.82
2017	22.71	2,774,207	14,355	644,377	563,977	80,400	20.33
2016	22.31	2,710,651	12,838	617,584	521,804	95,780	19.25
2015	22.35	2,641,867	11,400	601,857	484,005	117,852	18.32
2014	20.45	2,564,670	9,984	534,459	444,372	90,087	17.33
2013	20.01	2,474,965	--	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	--	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	--	326,274	277,122	49,152	11.58

<sup>1</sup> See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

<sup>2</sup> The Annual Increase Reserve, or "AIR," was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2019 ACFR.

<sup>3</sup> The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2020 Annual Report.

For historical information regarding employer contributions based on the ARC, see PERA's Annual Report for calendar year 2013 and Note 6 to the State's Fiscal Year 2020-21 ACFR appended to this Official Statement.

### Funding Status of the State Division Plan

The State Division Plan currently is significantly underfunded. As discussed in "Funding of the State Division Plan – *Statutorily Required Contributions*" above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by SB 10-001, all in an effort to improve the funding status of the State Division Plan. However, investment returns on Plan assets declined following the global economic downturn that began in 2008. As a result, the actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.50% to 8.00% in 2009, to 7.50% at the end of 2013 and to 7.25% as of December 31, 2017, and other economic assumptions, including the amortization period, were changed over this period as well, to reflect actual results and new estimates about the future. Notwithstanding these changes, PERA reported that at December 31, 2016, the State Division Plan a UAAL of approximately \$11.644 billion and a funded ratio (i.e., the actuarial value of Plan assets divided by the AAL) of only 54.6%, which UAAL would have amortized over a 65-year period based on contribution rates as of the date of calculation.

In order to address the funding status of PERA's defined benefit plans, including the State Division Plan, in 2018 the General Assembly enacted SB 18 200 which made changes to the defined benefit plans administered by PERA with the goal of eliminating the UAAL of such plans, and thereby reach a 100%

funded ratio for each of such plans, within a 30-year period. Among other things, SB 18 200 phases-in a 2% increase in contribution rates for most employees, suspended the cost of living adjustment for retirees through 2019, changes the definition of salary and highest average salary, reduces maximum annual cost of living adjustments, adjusts employee and employer contribution rates, funds unfunded PERA liability from political subdivisions that terminate their affiliation with PERA and provides for a direct annual allocation to PERA from the State General Fund of \$225 million (actual dollars) beginning with Fiscal Year 2018-19 although, per H.B. 20-1379, due to the actual and forecast impact of the COVID-19 pandemic on the State's revenues in Fiscal Years 2019-20 and 2020-21, this distribution was suspended for Fiscal Year 2020-21, as discussed in “—Funding of the State Division Plan—*Statutorily Required Contributions*” above. S.B. 18-200 also provides for automatic adjustments to employee and employer contribution rates, annual cost of living increases and the State's annual direct contribution to PERA within certain statutory parameters so as to stay within the 30-year funding goal. Previously, such adjustments required action by the General Assembly. For further information regarding SB 18-200, see Note 6 to the State's 2020-21 ACFR appended to this Official Statement and the PERA 2020 Annual Report.

The PERA 2020 Annual Report reports that, at December 31, 2020, the actuarial value of assets of the State Division Plan was approximately \$16.039 billion and the AAL of the Plan was approximately \$27.117 billion, resulting in a UAAL of approximately \$11.078 billion, a funded ratio of 59.1% and an amortization period, both before and after consideration of H.B. 20-1379, of 27 years<sup>1</sup>. The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short term or cyclical economic and market conditions. Based on the market value of assets of the State Division Plan, the PERA 2019 Annual Report reports that at December 31, 2020, the UAAL of the Plan was approximately \$9.457 billion and the funded ratio was 65.1%.

For further information, see Management's Discussion and Analysis in the State's Fiscal Year 2020-21 ACFR appended to this Official Statement, as well as Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2020 Annual Report.

Table 2 below sets forth for each of the past ten years the UAAL, the funded ratio and related information for the State Division Plan based on the actuarial value of Plan assets, and Table 3 below sets forth such information based on the market value of Plan assets.

The actuarial valuation for funding purposes in the PERA 2020 Annual Report was performed as of December 31, 2020, and the actuarial valuation for accounting and financial reporting purposes in the PERA 2020 Annual Report was performed as of December 31, 2019, and the total pension liability was rolled forward to the measurement date of December 31, 2020, utilizing generally accepted actuarial techniques.

When calculating the AAL of the State Division Plan in Tables 2 and 3 below, the following actuarial methods, assumptions and inputs, among others, were used: (i) price inflation is assumed to be 2.40%; (ii) real wage growth is assumed to be 1.10%; (iii) salary increases (including assumed wage inflation of 3.50%) are projected to range from 3.50% to 9.17%; (iv) the long term investment rate of return (net of pension plan investment expense, including price inflation) and discount rate are assumed to be

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<sup>1</sup> This amortization period does not include the full effect of legislation enacted in 2006, 2010 and 2018, which includes plan changes designed to lower the normal cost over time as new members are added to the Plan, allow a greater proportion of the State's contribution to the Plan to be used to amortize the unfunded liability and increase future contributions to the Plan in order to accelerate the amortization of the UAAL. However, utilizing the assumptions specified in the PERA 2020 Annual Report, PERA's independent actuary projects that the goal of funding 100% of the AAL under the PERA revised benefit structure created by S.B. 18-200 is achievable within a projection period of 24 years, and that the State Division Plan is projected to be 100% funded in 22 years. For further information, see the PERA 2020 Annual Report.

7.25%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 0% through 2019 and 1.25% per year compounded annually thereafter, and cost of living adjustments for post-2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2020 Annual Report.

**Table 2**  
**Historical Funding Progress of State Division Plan**  
**Actuarial Value of Plan Assets**  
(Dollar Amounts in Thousands)

<b>Valuation Date (December 31)</b>	<b>Actuarial Value of Plan Assets<sup>1</sup></b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Employer Payroll</b>	<b>UAAL as Percentage of Employer Payroll</b>
2020	\$16,039,287	\$27,116,805	\$11,077,518	59.1%	\$3,089,161	358.6%
2019	14,922,050	25,717,648	10,795,598	58.0	2,995,453	360.4
2018	14,303,726	25,509,852	11,206,126	56.1	2,898,827	386.6
2017	14,256,410	24,782,085	10,525,675	57.5	2,774,207	379.4
2016	14,026,332	25,669,916	11,643,584	54.6	2,710,651	429.5
2015	13,882,820	24,085,671	10,202,851	57.6	2,641,867	386.2
2014	13,523,488	23,408,321	9,884,833	57.8	2,564,670	385.4
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3

<sup>1</sup> 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 2020 Annual Report

**Table 3**  
**Historical Funding Progress of State Division Plan**  
**Market Value of Plan Assets**  
(Dollar Amounts in Thousands)

<b>Valuation Date (December 31)</b>	<b>Market Value of Plan Assets<sup>1</sup></b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Employer Payroll</b>	<b>UAAL as Percentage of Employer Payroll</b>
2020	\$17,660,157	\$27,116,805	\$9,456,648	65.1%	\$3,089,161	306.1%
2019	15,819,843	25,717,648	9,897,805	61.5	2,995,453	330.4
2018	13,837,863	25,509,852	11,671,989	54.2	2,898,827	402.6
2017	15,105,378	24,782,085	9,676,707	61.0	2,774,207	348.8
2016	13,538,772	25,669,916	12,131,144	52.7	2,710,651	447.5
2015	13,391,398	24,085,671	10,694,273	55.6	2,641,867	404.8
2014	13,956,630	23,408,321	9,451,691	59.6	2,564,670	368.5
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	359.9
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	353.3
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7

<sup>1</sup> 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 2020 Annual Report

Source: PERA Annual Reports for calendar years 2011 through 2020.

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, 2020, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2018 Annual Report. The following table sets forth for each of the years 2011-2020 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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>ADDITIONS</b>										
Employer contributions	\$ 646,386	\$ 612,282	\$ 583,164	\$ 563,977	\$ 521,804	\$ 484,005	\$ 444,372	\$ 401,658	\$ 335,073	\$ 283,222
Nonemployer contributions	--	77,088	78,489	--	--	--	--	--	--	--
Member contributions	298,264	257,803	236,313	228,978	223,005	217,980	211,610	202,799	227,058	258,678
Purchased service	28,522	29,494	25,227	27,442	24,528	26,946	22,446	22,241	16,358	11,277
Net investment income (loss)	2,652,870	2,764,719	(497,562)	2,391,683	947,981	210,337	780,762	1,931,658	1,511,244	232,669
Other	9,390	22	7,888	15,860	8,708	5,023	3,289	4,869	150	331
Total additions	3,635,432	3,741,408	433,519	3,227,940	1,726,026	944,291	1,462,479	2,563,225	2,089,883	786,177
<b>DEDUCTIONS</b>										
Benefit payments	1,675,048	1,637,168	1,608,534	1,554,290	1,483,828	1,417,862	1,352,293	1,295,780	1,231,922	1,174,707
Refunds	57,921	61,832	65,253	58,696	60,137	63,567	61,152	68,735	69,221	70,090
Disability insurance premiums	1,360	1,965	2,093	2,035	2,106	2,088	2,309	2,229	1,570	1,685
Administrative expenses	11,385	11,294	11,903	11,745	11,271	10,779	10,067	9,780	8,568	8,685
Other	2,634	2,707	3,017	3,652	3,040	3,406	3,171	3,593	3,911	(4,546)
Total deductions	1,748,348	1,714,966	1,690,800	1,630,418	1,560,382	1,497,702	1,428,992	1,380,117	1,315,192	1,250,621
Change in fiduciary net position	1,878,084	2,026,442	(1,257,281)	1,597,522	165,644	(553,411)	33,487	1,183,108	774,691	(464,444)
Fiduciary net position held at beginning of year	15,992,863	13,966,421	15,223,702	13,626,180	13,460,536	14,013,947	13,980,460	12,797,352	12,022,661	12,487,105
Fiduciary net position held at end of year	\$17,879,947	\$15,992,863	\$13,966,421	\$15,223,702	\$13,626,180	\$13,460,536	\$14,013,947	\$13,980,460	\$12,797,352	\$12,022,661

Source: PERA 2019 ACFR.

### Net Pension Liability of the State Division Plan

As noted above, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed UAAL, and also requires disclosing the plan's net pension liability and ratio of fiduciary net position to total pension liability. The schedule of net pension liability presents multi-year trend information about whether the fiduciary net position is increasing or decreasing over time relative to total pension liability.

The following table sets forth for the years 2013-2020 (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 2020 Annual Report includes a schedule showing the sources of the changes in net pension liability for 2017-2020. See also “Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68” hereafter.

**Table 5**  
**Net Pension Liability**  
**State Division<sup>1,2</sup>**  
(Dollar Amounts in Thousands)

	For The Year Ended December 31,							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability <sup>3,4</sup>	\$27,364,740	\$25,696,667	\$25,345,094	\$35,241,684	\$31,994,311	\$23,991,569	\$23,420,461	\$22,888,431
Plan fiduciary net position	<u>17,879,947</u>	<u>15,992,863</u>	<u>13,966,421</u>	<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>\$9,484,793</u>	<u>\$9,703,804</u>	<u>\$11,378,673</u>	<u>\$20,017,982</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	65.34%	62.24%	55.11%	43.20%	42.59%	56.11%	59.84%	61.08%
Covered employee payroll	\$3,089,161	\$2,995,453	\$2,898,827	\$2,774,207	\$2,710,651	\$2,641,867	\$2,564,670	\$2,474,965
Net pension liability as a percentage of covered employee payroll	307.03%	323.95%	392.53%	721.57%	677.63%	398.62%	366.77%	359.92%

<sup>1</sup> Information for years prior to 2013 is not available.

<sup>2</sup> Government accounting standards require that pension liabilities for financial reporting purposes be measured using the plan provisions in effect at the pension plan’s year-end. Therefore, unlike the tables in “Funding Status of the State Division Plan” above, the changes made by SB 18-200 are not reflected in this table for years 2013-2020.

<sup>3</sup> The total pension liability as of December 31, 2020, was determined by actuarial valuations as of December 31, 2019, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2020. The actuarial valuations as of December 31, 2019, used the key actuarial methods, assumptions or other inputs discussed in “Funding Status of the State Division Plan” above, except that the fair value (or market value) of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

<sup>4</sup> The decrease in the total pension liability at December 31, 2018, is primarily due to changing from a blended discount rate to a discount rate equal to the long-term assumed rate of return in accordance with GASB 67 as explained in the PERA 2018 Annual Report.

Source: PERA 2020 Annual Report.

### 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 2020 Annual Report for additional discussion of PERA’s investment responsibilities and investment policies.

## **Implementation of Changes in Pension Accounting Standards Applicable to the State – GASB 68 and GASB 75**

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” (“**GASB 68**”) is a GASB pronouncement that is related to GASB 67 and applicable to governmental entities, such as the State, that provide their employees with pension benefits. GASB 68 is effective for fiscal years beginning after June 15, 2014, and accordingly has been implemented beginning with the State’s Fiscal Year 2014-15 ACFR. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. See Table 2 in this Appendix for the UAAL of the State Division Plan for the years 2011-2020 as set forth in the PERA 2020 Annual Report.

The State reported a net pension liability in the State’s Fiscal Year 2020-21 ACFR of approximately \$11.285 billion at June 30, 2020, compared to a reported net pension liability in the State’s Fiscal Year 2018-19 ACFR of approximately \$11.285 billion at June 30, 2020. These amounts were determined as of the calendar year-end that occurred within the Fiscal Year. See also Note 6 to the State’s Fiscal Year 2020-21 ACFR appended to this Official Statement for a description of the methodology utilized to determine these amounts.

There is a difference between the net pension liability for the State reported by PERA and the State in their respective financial statements. The difference results from PERA’s inclusion of employers in the State Division and the Judicial Division which are not included in the State’s financial statement reporting entity. The PERA Board has statutory authority to assign employers to the State Division and Judicial Division that are not part of the State’s financial statement reporting entity as defined by GASB Statement No. 14, as amended by GASB Statements No. 39 and 61. Examples of these employers in the State Division include Pinnacle 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 2020-21 ACFR appended to this Official Statement, and additional information concerning the proportionate share calculation can be found in Note 6 of the State’s Fiscal Year 2020-21 ACFR.



The State's proportionate share of the net pension liability at the end of calendar years 2015-2020 in accordance with requirements of GASB 68 is set forth in the following table.

**Table 6**  
**State's (Primary Government's) Proportionate**  
**Share of the Net Pension Liability<sup>1</sup>**  
(Amounts in Thousands)

	<u>State Division</u>					
	Calendar Year					
	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	95.60%	95.49%	95.40%	95.37%	95.49%	95.71%
State's proportionate share of net pension liability	\$9,066,999	\$9,265,778	\$10,855,754	\$19,091,149	\$17,539,728	\$10,079,252
State's covered payroll	\$3,132,159	\$3,376,294	\$3,262,962	\$2,796,014	\$2,751,094	\$2,687,152
State's proportionate share of the net pension liability as a percentage of its covered payroll	289.48%	274.44%	332.70%	682.80%	637.55%	375.09%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	62.24%	55.11%	43.20%	42.59%	56.11%
	<u>Judicial Division</u>					
	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability	93.49%	94.28%	94.06%	93.99%	94.17%	93.98%
State's proportionate share of net pension liability	\$57,929	\$85,727	\$132,873	\$218,136	\$239,423	\$172,824
State's covered payroll	\$52,027	\$55,934	\$55,706	\$46,764	\$46,320	\$44,159
State's proportionate share of the net pension liability as a percentage of its covered payroll	111.34%	153.27%	238.52%	466.46%	516.89%	391.37%
Plan fiduciary net position as a percentage of the total pension liability	87.06%	80.02%	68.48%	58.70%	53.19%	60.13%

<sup>1</sup> 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 2020-21 ACFR appended to this Official Statement.

Source: State Fiscal Year 2020-21 ACFR.

A 10-year history of the State's contribution to PERA for the State and Judicial Divisions is also included in Note RSI-2 to the Required Supplementary Information in the State's Fiscal Year 2020-21 ACFR appended to this Official Statement. See also "Overall Financial Position and Results of Operations" in the Management's Discussion and Analysis and Notes 1 and 6-8 to the Financial Statements in the State's Fiscal Year 2020-21 ACFR.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB 75"), is effective for fiscal years beginning after June 15, 2017, and accordingly was first implemented in the State's Fiscal Year 2018-19 ACFR. GASB 75 requires, for purposes of governmental financial reporting, that the State recognize a liability for its proportionate share of the net Other Post-Employment Benefits ("OPEB") liability (of all employers for benefits provided through the OPEB plan), i.e., the collective net OPEB liability. The State is also required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources

related to OPEB. GASB 75 also requires additional footnote disclosures about the pension trust fund in the financial statements.

### **Effect of Pension Liability on the Series 2022 Certificates**

No assurances can be given that the assumptions underlying any current or future plans of the State to address its pension liabilities will be realized or that actual events will not cause material changes to the pension data presented in this Official Statement, including in this Appendix. The General Assembly and Governor are ultimately responsible for passing any legislation which would make material changes to PERA retirement plans. No assurance can be given that any legislative changes aimed at decreasing the State's pension liability will be enacted. The State's current pension liability or any increase in the State's pension liability may have a material adverse effect on the State's ability to fully pay its obligations, including the Series 2022 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 2022 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 2022 Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2022 Certificates or (v) any other related matter.*

DTC will act as securities depository for the Series 2022 Certificates. The Series 2022 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 2022 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 2022 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 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 2022 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 2022 Certificates except in the event that use of the book-entry system for the Series 2022 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2022 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 2022 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 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 2022 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2022 Certificates may wish to ascertain that the nominee holding the Series 2022 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 2022 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 2022 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2022 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 2022 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 2022 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 2022 Certificates are required to be printed and delivered to the appropriate registered owners of the Series 2022 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 2022 Certificates. In that event, Series 2022 Certificates will be printed and delivered to DTC.

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