NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Dinsmore & Shohl LLP, Special Counsel, under existing law, (1) the interest portion of the Base Rentals to be paid with respect to the Series 2015 Certificates (the "Interest") is excludable from gross income of the owners of the Series 2015 Certificates for federal income tax purposes, (2) the Interest is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) to the extent the Interest is excludable from gross income of the owners of the Series 2015 Certificates for federal income tax purposes, such Interest is not subject to income taxation by the State of Colorado, all subject to the qualifications described in "TAX MATTERS" herein.

$9,915,000
STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2015

Dated: Date of Delivery **Maturity Date: March 15, as shown on the inside front cover**

The Series 2015 Certificates will be executed and delivered pursuant to, and secured by, an Indenture of Trust to be entered into by UMB Bank, n.a., Denver, Colorado, as Trustee, and will evidence proportionate interests in the right of the Trustee to receive Base Rentals and certain other amounts payable by the State of Colorado pursuant to an annually renewable lease purchase agreement to be entered into by and between the Trustee, as lessor, and the State, acting by and through the State Treasurer, as lessee, in respect of Leased Property comprising the Colorado Bureau of Investigation's Grand Junction, Colorado, regional office and forensic laboratory. *Capitalized terms not otherwise defined on this cover page have the meanings set forth in this Official Statement.*

The net proceeds derived from the offering and sale of the Series 2015 Certificates will be used to (i) refinance the existing lease of the Leased Property by the Colorado Department of Public Safety and (ii) pay the costs of executing and delivering the Series 2015 Certificates. The Leased Property will be acquired by the CDPS, and the existing lease thereupon terminated, by payment of the purchase option price for the Leased Property as provided for in such lease, whereupon the Leased Property will be leased by the CDPS to the Trustee pursuant to a Site Lease, and in turn leased by the Trustee to the State pursuant to the Lease and subleased by the State to the CDPS for the use and benefit of the CBI, all as more fully described herein.

The Series 2015 Certificates will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2015 Certificates. Beneficial Ownership Interests in the Series 2015 Certificates, in non-certificated book-entry only form, may be purchased in integral multiples of $5,000 by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to receipt of payments, notices and other communications, transfers and various other matters with respect to the Series 2015 Certificates by the rules and operating procedures applicable to the DTC book-entry system as described herein.

Interest on the Series 2015 Certificates, at the rates per annum set forth on the inside front cover of this Official Statement, will be payable semiannually each March 15 and September 15, commencing March 15, 2016, to and including the maturity or prior redemption of the Series 2015 Certificates.

Maturity Schedule on the Inside Front Cover

The Series 2015 Certificates are subject to redemption prior to maturity as described herein.

The Series 2015 Certificates are payable solely from the Base Rentals and certain other amounts payable by the State pursuant to the Lease, and from certain other amounts comprising the Trust Estate under the Indenture. Payment of Base Rentals and other amounts by the State under the Lease will constitute currently appropriated expenditures of the State, and pursuant to applicable statutes and subject to the terms of the Lease, the State will be obligated to pay such amounts during the Lease Term only from and to the extent of moneys appropriated annually therefor by the Colorado General Assembly in its sole discretion from any legally available sources, including the State's General Fund, as described herein. The State has the right under the Lease each year to not renew, and thereby terminate its obligations under, the Lease for the ensuing Renewal Term by not appropriating the amounts estimated to be due under the Lease for such Renewal Term. Upon the occurrence of such a Lease Event of Nonappropriation, or upon the occurrence of a Lease Event of Default, the Lease will terminate and the Trustee will be entitled to exercise certain remedies with respect to its leasehold interest in the Leased Property, subject to the terms of the Lease, the Site Lease and the Indenture, as described herein.

Neither the Series 2015 Certificates nor the State's payment obligations under the Lease constitute an indebtedness of the State within the meaning of any provision of the constitution or laws of the State concerning or limiting the creation of indebtedness of the State, nor do the Series 2015 Certificates or such payment obligations constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution or statutes as more fully described herein.

An investment in the Series 2015 Certificates involves risk. Prospective investors are urged to read this Official Statement in its entirety, giving particular attention to the matters discussed in "RISKS AND OTHER INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

The Series 2015 Certificates are offered when, as and if executed and delivered by the Trustee and accepted by the Underwriter named below, subject to the approving opinion of Dinsmore & Shohl LLP, Denver, Colorado, as Special Counsel, and certain other conditions. Dinsmore & Shohl LLP also has served as disclosure counsel to the State in connection with this Official Statement. Certain legal matters will be passed upon for the State by the Attorney General of the State. The Series 2015 Certificates are expected to be delivered through the DTC system on or about September 29, 2015.

STIFEL

Dated: September 22, 2015

$9,915,000
STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2015

Maturity Schedule

Maturity Date (March 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP No.†
2016	$300,000	2.000%	100.759%	0.350%	196709 AA7
2017	420,000	2.000	101.812	0.750	196709 AB5
2018	430,000	3.000	104.750	1.040	196709 AC3
2019	440,000	4.000	108.895	1.360	196709 AD1
2020	460,000	2.000	101.455	1.660	196709 AE9
2021	470,000	2.500	102.940	1.930	196709 AF6
2022	485,000	5.000	116.908	2.180	196709 AG4
2023	500,000	5.000	117.588	2.410	196709 AH2
2024	530,000	5.000	118.372	2.570	196709 AJ8
2025	555,000	3.000	102.573	2.690	196709 AK5
2026	570,000	5.000	117.991[1]	2.820[1]	196709 AL3
2027	600,000	5.000	117.085[1]	2.920[1]	196709 AM1
2028	630,000	4.000	105.898[1]	3.270[1]	196709 AN9
2029	655,000	4.000	104.488[1]	3.440[1]	196709 AP4
2030	685,000	3.250	96.628	3.550	196709 AQ2
2031	705,000	3.375	96.886	3.640	196709 AR0
2032	725,000	3.500	97.429	3.710	196709 AS8
2033	755,000	3.625	98.281	3.760	196709 AT6

[1] These Series 2015 Certificates are priced to the first optional redemption date. See "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Optional Redemption*."

THE PRICES AT WHICH THE SERIES 2015 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ABOVE. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2015 CERTIFICATES, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2015 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

* * *

† CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services operated by the CUSIP Service Bureau, which is managed on behalf of the American Bankers Association by Standard & Poor's, a business unit of McGraw-Hill Financial, and is provided solely for the convenience of the purchasers of the Series 2015 Certificates and only as of the original delivery of the Series 2015 Certificates. The State takes no responsibility for the accuracy of such data now or at any time in the future.

PRELIMINARY NOTICES

This Official Statement does not constitute an offer to sell the Series 2015 Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the State, the Underwriter or any other person.

The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof.

The information in this Official Statement has been obtained from sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State or the Underwriter.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2015 Certificates is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Series 2015 Certificates and may not be reproduced or used, in whole or in part, for any other purpose.

The Series 2015 Certificates have not been recommended by any federal or state securities commission or regulatory authority, nor have the foregoing authorities either confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is unlawful.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2015 Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

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

This Official Statement, including, but not limited to, the information set forth in "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits," "APPENDIX B – THE STATE GENERAL FUND," "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST" and "APPENDIX D – STATE PENSION SYSTEM" contains statements relating to future results that are "forward looking statements." When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward looking statements. The achievement of certain results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. The State does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or events, conditions or circumstances on which these statements are based occur.

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* * *

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Aerial View

OFFICIAL STATEMENT

Relating to

$9,915,000
STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY LEASE PURCHASE AGREEMENT
CERTIFICATES OF PARTICIPATION, SERIES 2015

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover, preliminary notices and the appendices, furnishes information in connection with the offering and sale of the captioned Certificates of Participation (the "Series 2015 Certificates") to be executed and delivered pursuant to an Indenture of Trust (the "Indenture") entered into by UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"). The Series 2015 Certificates evidence proportionate interests in the right to receive certain amounts payable by the State of Colorado under an annually renewable lease purchase agreement (the "Lease") to be entered into by and between the Trustee, solely as trustee under the Indenture, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State Treasurer"), as lessee, and certain other amounts that may be received by the Trustee under the Lease and the Indenture (collectively, the "Revenues"). Certain provisions of the Indenture and the Lease are summarized in this Official Statement, and the forms of the Indenture and the Lease are appended to this Official Statement. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE."

As used in this Official Statement, the term "State" means the State of Colorado, acting by and through the State Treasurer, when referring to a party to the Lease or the hereinafter defined Sublease, and means the State of Colorado when used in any other context. Other capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings ascribed thereto in the forms of the Indenture, the Lease, the hereinafter defined Site Lease and the Sublease appended 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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2015 Certificates to potential investors is made only by means of the entire Official Statement.

This Official Statement contains information that was either not available or differs from that contained in the Preliminary Official Statement dated September 9, 2015, including, without limitation, the aggregate principal amount, principal amount per maturity, interest rates, prices, reoffering yields, CUSIP numbers, estimated sources and uses of funds, estimated debt service schedule, optional redemption provisions, purchase price paid by the Underwriter for the Series 2015 Certificates and other terms of the Series 2015 Certificates that are dependent upon such matters. This Official Statement also contains information derived from the recently released OSPB September 2015 Revenue Forecast (as defined herein), which is also included in its entirety as Appendix C, updates to the Fiscal Year 2014-15 State Pool portfolio mix and estimated General Fund cash flows in Appendix B and an addition to the description of the indebtedness of State authorities. Accordingly, prospective investors should read this Official Statement in its entirety.

Plan of Finance

The net proceeds derived from the offering and sale of the Series 2015 Certificates will be used to (i) refinance the existing lease by the Colorado Department of Public Safety (the "CDPS") of the site and improvements (but not the equipment) constituting the Colorado Bureau of Investigation's (the "CBI") Grand Junction, Colorado, regional office and forensic laboratory (the "Leased Property"), and (ii) pay the costs of executing and delivering the Series 2015 Certificates (the "Costs of Execution and Delivery"). The CBI is a Division of the CDPS.

The Leased Property is currently being leased by the CDPS for the use and benefit of the CBI pursuant to a Lease Agreement dated as of November 30, 2006 (the "2006 Lease"), with the Grand Junction, Colorado State Leasing Authority, Inc., a Colorado nonprofit corporation, as lessor. The 2006 Lease provides that upon payment of the applicable purchase option price thereunder, the Leased Property will be conveyed to the CDPS and the 2006 Lease will thereupon be terminated. Such payment will be in an amount sufficient to defease the lease revenue bonds issued by the 2006 Lessor to fund the acquisition and construction of the Leased Property and currently outstanding in the aggregate principal amount of $10,150,000 (the "2006 Bonds"), as well as discharge the indenture of trust pursuant to which the 2006 Bonds were issued (the "2006 Indenture") and release the mortgage, security agreement and assignment of rents securing such lease revenue bonds (the "2006 Mortgage").

The purchase option price under the 2006 Lease will be paid from the net proceeds of the Series 2015 Certificates on the date of their execution and delivery (the "Closing Date"). Concurrently with the conveyance of the Leased Property to the CDPS, the CDPS will lease the Leased Property to the Trustee pursuant to a 28 year site lease (the "Site Lease"), the consideration for which will be the application by the Trustee of the proceeds of the Series 2015 Certificates to pay the purchase option price under the 2006 Lease and the Costs of Execution and Delivery of the Series 2015 Certificates. The Trustee will in turn lease the Leased Property to the State pursuant to the Lease, and the State will sublease the Leased Property to the CDPS (in such capacity the "Sublessee") for the use and benefit of the CBI pursuant to an annually renewable sublease agreement (the "Sublease").

The Lease has a maximum term of 18 years, consisting of the initial term commencing on the date of execution of the Lease and extending through June 30, 2016 (the "Initial Term"), plus 17 successive one year terms (each a "Renewal Term") coinciding with the State's July 1-June 30 fiscal year (the "Fiscal Year"). The Initial Term plus all Renewal Terms as to which the State exercises its option to renew are referred to herein collectively as the "Lease Term." Pursuant to the Lease, the State agrees to pay to the Trustee during the Lease Term base rentals (the "Base Rentals") for the use and possession of the Leased Property in an annual amount equal to the principal of and interest due on the Series 2015 Certificates, together with certain administrative and other costs incident to the Lease and the Indenture ("Additional Rentals"). The Base Rentals and Additional Rentals are payable solely from amounts specifically budgeted and appropriated for such purpose by the General Assembly for each Fiscal Year. *The State may determine each year to not renew the Lease for the following Fiscal Year, and thereby terminate its obligations thereunder, by not appropriating amounts to pay the Base Rentals and estimated Additional Rentals coming due in respect of the Lease for such ensuing Fiscal Year (a "Lease Event of Nonappropriation").* See "Security and Sources of Payment" below and "SECURITY AND SOURCES OF PAYMENT – Payments by the State Under the Lease."

The Sublease has substantially the same terms as the Lease with certain exceptions described herein.

Certain provisions of the Site Lease, the Lease and the Sublease are summarized in this Official Statement, and the forms of such documents are appended to this Official Statement. See also "PLAN OF FINANCE," "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE," "IMAGES OF THE LEASED PROPERTY" and "THE LEASED PROPERTY."

The Series 2015 Certificates

Authorization. The Series 2015 Certificates will be executed and delivered by the Trustee in the aggregate principal amount of $9,915,000 pursuant to the Indenture and under authority granted by the Constitution of the State of Colorado (the "State Constitution") and laws of the State, including, without limitation, Senate Bill ("SB") 15-207, which was enacted by the State legislature, known as the "General Assembly," during the 2015 regular session. See generally "THE SERIES 2015 CERTIFICATES" and the form of the Indenture appended to this Official Statement.

General Provisions. The Series 2015 Certificates will be dated the Closing Date and will mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement, subject to optional and extraordinary mandatory redemption prior to maturity as described in "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity."

The Series 2015 Certificates will bear interest, at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months) set forth on the inside front cover of this Official Statement, from the Closing Date to their maturity or prior redemption dates and will be payable semiannually on each March 15 and September 15, commencing March 15, 2016 (each an "Interest Payment Date").

Book-Entry Only Registration. The Series 2015 Certificates will be delivered in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will serve as securities depository for the Series 2015 Certificates. Ownership interests in the Series 2015 Certificates ("Beneficial Ownership Interests"), in non-certificated book-entry only form, may be purchased in denominations of $5,000 and integral multiples thereof by or through participants in the DTC system ("DTC Participants"). Beneficial Ownership Interests will be recorded in the name of the purchasers thereof ("Beneficial Owners") on the books of the DTC Participants from whom they are acquired, and will be governed as to payment, prior redemption, transfers, the receipt of notices and other communications with respect to the Series 2015 Certificates and various other matters by the rules and operating procedures applicable to the DTC book-entry system as described in "THE SERIES 2015 CERTIFICATES – DTC Book-Entry System" and "APPENDIX G – DTC BOOK-ENTRY SYSTEM." References herein to the registered owners of the Series 2015 Certificates (the "Owners") mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

Principal and interest payments with respect to the Series 2015 Certificates will be made by the Trustee, as paying agent for the Series 2015 Certificates, to Cede & Co., as the Owner of the Series 2015 Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in "APPENDIX G – DTC BOOK-ENTRY SYSTEM."

Sources of Payment for the Series 2015 Certificates

Limited Obligations. The Series 2015 Certificates evidence proportionate interests in the right to receive, and are payable solely from, Revenues consisting of the annually appropriated Base Rentals and certain other amounts payable by the State under the Lease (but not Additional Rentals), as well as certain other amounts that may be received by the Trustee under the Lease and the Indenture as described herein, including moneys held by the Trustee in certain Funds established by the Indenture. Revenues will include, in addition to the Base Rentals, the purchase option price (if paid) by the State under the Lease (the "Lease Purchase Option Price"), the net proceeds received from insurance, condemnation awards, contracts or other sources as a consequence of certain events of property damage, breach of warranty, material defect or title defect regarding the Leased Property (the "Net Proceeds"), and moneys derived from the Trustee's exercise of remedies provided in the Lease and the Indenture in the event of the occurrence of a Lease Event of Nonappropriation, an event of default under the Lease (a "Lease Event of

Default") or an event of default under the Indenture (an "Indenture Event of Default"). Revenues will also include the purchase option price under the Sublease (the "Sublease Purchase Option Price") which the Sublessee has the option to pay upon the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default. See "SECURITY AND SOURCES OF PAYMENT – Limited Obligations; Revenues – Payments by the State Under the Lease," "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – The Sublease – *Sublessee's Option to Purchase the Trustee's Interest in the Leased Property Under Certain Circumstances*" and "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*."

The Indenture provides that the Series 2015 Certificates do not constitute a mandatory charge or requirement of the State in any Fiscal Year beyond a Fiscal Year in which the Lease is in effect, and do not constitute or give rise to a general obligation or other indebtedness of the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Series 2015 Certificates, the Indenture, the Lease, the Sublease, the Site Lease or any other document or instrument may 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 General Assembly for Base Rentals and Additional Rentals 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 of the State Constitution, Section 20 of Article X of the State Constitution (see "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights") 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. The execution and delivery of the Series 2015 Certificates will not directly or indirectly obligate the State to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the State's then current Fiscal Year.

Payments by the State Under the Lease. The primary source of payment of the Series 2015 Certificates is expected to be the Base Rentals paid by the State under the Lease during the Lease Term. Payment of Base Rentals, Additional Rentals and all other payments by the State will constitute currently appropriated expenditures of the State, and pursuant to applicable statutes and subject to the terms of the Lease, the State will be obligated to pay such amounts during the Lease Term only from and to the extent of moneys appropriated annually therefor by the General Assembly in its sole discretion from any legally available sources, including the State's General Fund. The obligations of the State to pay Base Rentals, Additional Rentals and other amounts under the Lease do not constitute an indebtedness of the State within the meaning of any provision of the constitution or laws of the State concerning or limiting the creation of indebtedness of the State, nor do such obligations constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI of the State Constitution or Section 20(4) of Article X of the State Constitution (see "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights") or any other limitation or provision of the State Constitution or statutes. In the event the State does not renew the Lease, the sole security available to the Trustee, as lessor under the Lease, is the Leased Property and the rights of the Trustee to exercise the remedies of the Trustee in respect of the Leased Property as provided in the Lease. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State Under the Lease" and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *Payments by the State – Limitations on Obligations of the State*."

The State may determine to not renew the Lease, and thereby terminate the Lease and the State's obligations thereunder, prior to the expiration of the Initial Term and each Renewal Term of the Lease by failing to specifically appropriate moneys sufficient to pay all Base Rentals and reasonably estimated

Additional Rentals for the ensuing Fiscal Year, which, unless cured, will constitute a Lease Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State Under the Lease" and "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *Lease Term – Lease Event of Nonappropriation*."

The State has the option under the Lease at any time to purchase the Trustee's leasehold interest in the Leased Property, and thereby terminate the Lease, by paying to the Trustee the Lease Purchase Option Price, being an amount sufficient to redeem or defease all the outstanding Series 2015 Certificates and any Additional Certificates executed and delivered pursuant to the Indenture as described in "SECURITY OF SOURCES OF PAYMENT – Additional Certificates" (collectively, the "Certificates") and pay all Additional Rentals payable through the date on which the Leased Property is conveyed to the State or its designee. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *State's Purchase Option*."

If the Lease is terminated as the result of the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default, the Lease and the Sublease will terminate, the State and the CDPS, in its capacity as the Sublessee, will be required to vacate the Leased Property within 90 days and, subject to the right of the Sublessee to purchase the Leased Property under the Sublease as described in "*The Sublease*" hereafter, and the Trustee may thereupon exercise any of the remedies provided in the Lease, including the sale or assignment of the Trustee's leasehold interest under the Site Lease or the re-letting of the Leased Property. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *Lease Term*" and "RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS."

The Sublease. The Sublease has terms that are substantially the same as the Lease; provided, however, that payments made by the CDPS, as Sublessee under the Lease, are payable to the State and do not constitute Revenues under the Indenture. In the event of the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default, the CDPS has the option under the Sublease to purchase all of the Leased Property by paying to the Trustee the Sublease Purchase Option Price, being an amount sufficient to redeem or defease all the outstanding Certificates and pay all Additional Rentals and additional rentals payable under the Sublease ("Sublease Additional Rentals") through the date on which the Leased Property is conveyed to the Sublessee. See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Sublease – *Sublessee's Option to Purchase the Trustee's Interest in the Leased Property Under Certain Circumstances*."

Legal and Tax Matters

Dinsmore & Shohl LLP, Denver, Colorado, is serving as special counsel to the State ("Special Counsel") in connection with the execution and delivery of the Series 2015 Certificates and will deliver its approving opinion substantially in the form appended to this Official Statement. Dinsmore & Shohl LLP also has served as disclosure counsel to the State in connection with this Official Statement. Certain legal matters will be passed upon for the State by the Attorney General of the State.

In the opinion of Dinsmore & Shohl LLP, Special Counsel, under existing law, (1) the interest portion of the Base Rentals to be paid with respect to the Series 2015 Certificates (the "Interest") is excludable from gross income of the owners of the Series 2015 Certificates for federal income tax purposes, (2) the Interest is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) to the extent the Interest is excludable from gross income of the owners of the Series 2015 Certificates for federal income tax purposes, such Interest is not subject to income taxation by the State of Colorado, all subject to the qualifications described in "TAX MATTERS" herein.

See generally "LEGAL MATTERS," "TAX MATTERS" and "APPENDIX I – FORM OF OPINION OF SPECIAL COUNSEL."

Investment Considerations

An investment in the Series 2015 Certificates involves risk. Prospective investors must read this Official Statement in its entirety, giving particular attention to the matters discussed in "RISKS AND OTHER INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

Continuing Disclosure

In connection with the execution and delivery of the Series 2015 Certificates, the State will enter into a Continuing Disclosure Undertaking, the form of which is appended to this Official Statement, pursuant to which the State will agree for the benefit of the Owners and Beneficial Owners of the Series 2015 Certificates to file with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access ("EMMA") system (i) 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, 2016, and (ii) notices of the occurrence of enumerated events within ten business days of their occurrence. See "CONTINUING DISCLOSURE – Series 2015 Certificates" and "APPENDIX H – FORM OF CONTINUING DISCLOSURE UNDERTAKING."

For a discussion of the recent compliance by the State and certain State departments and agencies that utilize the State's credit with the various continuing disclosure undertakings of such entities, see "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

State Economic and Demographic Information

This Official Statement contains economic and demographic information about the State prepared by Development Research Partners, Inc. for use by the State. See "APPENDIX F – 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.

Financial Advisor

First Southwest Company, LLC, Denver, Colorado ("FirstSouthwest" or the "Financial Advisor"), is acting as financial advisor to the State in connection with this financing as described in "FINANCIAL ADVISOR."

Additional Information

Brief descriptions of the Series 2015 Certificates, the Indenture, the Lease, the Site Lease, the Sublease, the State and certain other statutes, reports, documents and instruments are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, statute, report or other instrument in its entirety. The forms of the Indenture, the Lease, the Site Lease and the Sublease are appended to this Official Statement. During the offering period, copies of other documents referred to herein may be obtained from the

Financial Advisor at: FirstSouthwest, 8055 E. Tufts Avenue, Suite 500, Denver, Colorado 80237, Attn: Jason Simmons, telephone number: (303) 771-0217; or from Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), at 1125 17th Street, Suite 1600, Denver, Colorado 80202, Attn: Josh Benninghoff, telephone number: (303) 296-2300.

Forward Looking Statements

See the preliminary notices in this Official Statement regarding forward looking statements.

Miscellaneous

The cover page, inside front cover, preliminary notices and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from sources believed to be reliable, but this Official Statement is not to be construed as the promise or guarantee of the State or the Underwriter. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described in this Official Statement since the date hereof. 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.

The Trustee, by acceptance of its duties as Trustee under the Indenture, has not reviewed this Official Statement and has made no representations as to the information contained herein.

This Official Statement shall not be construed as a contract or agreement between the State and the Owners or Beneficial Owners of the Series 2015 Certificates.

PLAN OF FINANCE

Refinancing of the 2006 Lease

The net proceeds derived from the offering and sale of the Series 2015 Certificates will be used to (i) refinance the existing 2006 Lease of the Leased Property by the CDPS, and (ii) pay the Costs of Execution and Delivery of the Series 2015 Certificates.

The Leased Property is currently being leased by the CDPS pursuant to the 2006 Lease for the use and benefit of the CBI. The 2006 Lease provides that upon payment of the purchase option price provided for therein, the Leased Property will be conveyed to the CDPS and the 2006 Lease will thereupon be terminated. Such purchase option price is to be amount sufficient to defease the 2006 Bonds, currently outstanding in the aggregate principal amount of $10,150,000, to pay certain fees, expenses and additional rentals due under the 2006 Lease and to discharge the 2006 Indenture and release the 2006 Mortgage.

On the Closing Date, the purchase option price under the 2006 Lease will be paid from the net proceeds of the Series 2015 Certificates to the trustee under the 2006 Indenture, a portion of which will be deposited in escrow and in trust pursuant to a refunding escrow agreement in order to defease the 2006 Bonds. The sufficiency of the cash and securities deposited in escrow to defease the 2006 Bonds in accordance with the 2006 Indenture will be verified by a certified public accountant. Concurrently with the conveyance of the Leased Property to the CDPS, the CDPS will lease the Leased Property to the Trustee pursuant to the Site Lease, the consideration for which will be the application by the Trustee of the proceeds of the Series 2015 Certificates to pay the purchase option price under the 2006 Lease and the Costs of Execution and Delivery of the Series 2015 Certificates. The Trustee will in turn lease the Leased

Property to the State pursuant to the Lease, and the State will sublease the Leased Property to the CDPS for the use and benefit of the CBI pursuant to the Sublease. Certain provisions of the Site Lease, the Lease and the Sublease are summarized in this Official Statement, and the forms of such documents are appended to this Official Statement. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE," "IMAGES OF THE LEASED PROPERTY" and "THE LEASED PROPERTY."

Estimated Sources and Uses of Funds

The following table sets forth the anticipated sources and uses of funds in connection with this financing.

Sources and Uses of Funds
(Rounded)

Sources:	
Principal amount of the Series 2015 Certificates..........	$ 9,915,000
Net original issue premium[1]	566,499
Other legally available funds[2]......................................	400,279
	$10,881,778
Uses:	
Refinancing of the 2006 Lease[3]	$10,651,609
Costs of Execution and Delivery and miscellaneous[4]...	230,169
	$10,881,778

1 See "TAX MATTERS."

2 This constitutes the amount available in the debt service fund held under the 2006 Indenture.

3 This constitutes the purchase option price under the 2006 Lease, which amount has been determined in the manner and will be remitted on the Closing Date to the trustee under the 2006 Indenture as discussed in "Refinancing of the 2006 Lease" above.

4 This amount (other than the underwriting discount described in "UNDERWRITING") will be deposited to the Series 2015 Certificates Account of the Costs of Execution and Delivery Fund established by the Indenture and used to pay the Costs of Execution and Delivery of the Series 2015 Certificates. So long as no Lease Event of Nonappropriation or Lease Event of Default has occurred and is continuing, the Trustee is to transfer to the Base Rentals Fund (defined hereafter) held by the Trustee pursuant to the Indenture any moneys remaining in the Series 2015 Certificates Account upon the earlier of (a) final payment of all Costs of Execution and Delivery of the Series 2015 Certificates, as directed in writing by the State Representative, or (b) 180 days after the Closing Date. For further details, see the definition of Costs of Execution and Delivery and Section 3.05 in the form of the Indenture appended to this Official Statement.

THE SERIES 2015 CERTIFICATES

The following is a summary of certain provisions of the Series 2015 Certificates during such time as the Series 2015 Certificates are subject to the DTC book-entry system. Reference is hereby made to the Indenture, the form of which is appended to this Official Statement, for the detailed provisions pertaining to the Series 2015 Certificates, including provisions applicable in the event of the discontinuance of participation in the DTC book-entry system.

General Provisions

The Series 2015 Certificates will be executed and delivered by the Trustee in the aggregate principal amount of $9,915,000 pursuant to the Indenture and under authority granted by the State Constitution and laws of the State, including, without limitation, Sections 24-82-102(1)(b) and 801, Colorado Revised Statutes, as amended ("C.R.S."), and SB 15-207 enacted by the General Assembly during the 2015 regular session (collectively, the "Enabling Legislation").

The Series 2015 Certificates will be dated the Closing Date, will mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement and will be subject to optional and extraordinary mandatory redemption prior to maturity as described in "Redemption Prior to Maturity" below.

Interest on the Series 2015 Certificates, at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months) set forth on the inside front cover of this Official Statement, will accrue from the Closing Date through the maturity or prior redemption dates of the Series 2015 Certificates and will be payable semiannually on each Interest Payment Date, being each March 15 and September 15, commencing March 15, 2016.

DTC Book-Entry System

The Series 2015 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 2015 Certificates. Beneficial Ownership Interests in the Series 2015 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 G – DTC BOOK-ENTRY SYSTEM."

Principal and interest payments with respect to the Series 2015 Certificates are payable by the Trustee, as paying agent for the Series 2015 Certificates, to Cede & Co., as the Owner of the Series 2015 Certificates, for subsequent credit to the accounts of the Beneficial Owners as discussed in "APPENDIX G – DTC BOOK-ENTRY SYSTEM."

None of the Trustee, the State or the Underwriter 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 2015 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 2015 Certificates, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2015 Certificates or (5) any other related matter.

Redemption Prior to Maturity

Optional Redemption. In the event the State exercises its rights under the Lease to purchase the Trustee's leasehold interest in the Leased Property, the Series 2015 Certificates maturing on or after March 15, 2026 will be subject to redemption in whole on March 15, 2025, and any date thereafter, at a redemption price equal to the principal amount of the Series 2015 Certificates to be redeemed plus accrued interest to the redemption date, without premium. See also "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *State's Purchase Option*."

Extraordinary Mandatory Redemption. The Series 2015 Certificates, together with any other outstanding Certificates, are subject to mandatory redemption in whole upon the occurrence of any of the following events:

(a) the Lease is terminated following a Lease Event of Nonappropriation;

(b) the Lease is terminated following a Lease Event of Defau1t; or

(c) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty; title to, or the temporary or permanent use of, the Leased Property has been taken by eminent domain by any governmental body; breach of warranty or any material defect with respect to the Leased Property becomes apparent; or title to or the use of all or any part of the Leased Property is lost by reason of a defect in title thereto (referred to in the Indenture as a "Property Damage, Defect or Title Event"); and both (i) the Net Proceeds of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property, made available by reason of such occurrences are insufficient to pay in full the cost of repairing or replacing the Leased Property, and (ii) the General Assembly does not appropriate sufficient funds to pay the amount of the insufficiency, nor does the State cause the Lease to be amended to authorize the execution and delivery of Additional Certificates to fund the insufficiency. See also "THE LEASED PROPERTY – Operation and Maintenance of the Leased Property; Insurance – Property Damage, Defect or Title Events."

If called for extraordinary mandatory redemption, the outstanding Certificates are to be redeemed in whole on such date or dates as the Trustee may determine and for a redemption price equal to the principal amount of the Certificates redeemed plus accrued interest to the redemption date (subject to the availability of funds).

If the Net Proceeds, including the Net Proceeds from the exercise of any remedy under the Lease, otherwise received and other moneys then available under the Indenture are insufficient to pay in full the principal of and accrued interest on all the outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the outstanding Certificates, and upon indemnification as provided in the Indenture, without any further demand or notice, the Trustee is required to, exercise all or any combination of remedies provided in the Lease, and the Certificates are to be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such remedies under the Lease and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates. IF THE NET PROCEEDS RESULTING FROM THE EXERCISE OF SUCH REMEDIES UNDER THE LEASE AND OTHER MONEYS ARE INSUFFICIENT TO REDEEM THE OUTSTANDING CERTIFICATES AT 100% OF THE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, THEN THE NET PROCEEDS RESULTING FROM THE EXERCISE OF SUCH REMEDIES UNDER THE LEASE AND OTHER MONEYS ARE TO BE ALLOCATED PROPORTIONATELY AMONG THE OUTSTANDING CERTIFICATES ACCORDING TO THE PRINCIPAL AMOUNT THEREOF OUTSTANDING. IF THE CERTIFICATES ARE REDEEMED UPON THE OCCURRENCE OF AN EVENT DESCRIBED ABOVE FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT OF THE CERTIFICATES PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF THE CERTIFICATES WILL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR THE STATE.

Notice of Redemption. Whenever Series 2015 Certificates are to be redeemed under any provision of the Indenture, the Trustee is required to mail a copy of the redemption notice, containing the information required by the Indenture, by Electronic Means or by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the redemption date (except for Extraordinary Mandatory Redemption, which notice is to be immediate), to all Owners of the Series 2015 Certificates to be redeemed (initially only Cede & Co.) at their registered addresses. The Trustee is also required to make available to the State and any Owner at all reasonable times information as to Series 2015 Certificates which have been redeemed or called for redemption.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Series 2015 Certificates called for redemption, and that if such funds are not available, such redemption will be canceled by written notice to the Owners of the Series 2015 Certificates called for redemption in the same manner as the original redemption notice was given.

During such time as the Series 2015 Certificates are subject to the DTC book-entry system, the Trustee will be required to send notices of redemption of the Series 2015 Certificates only to Cede & Co. (or subsequent nominee of DTC) as the Owner thereof. Receipt of such notice initiates DTC's standard call. DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests and for remitting the redemption price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2015 Certificates properly called for redemption or any other action premised on that notice.

Redemption Payments. On or prior to the date fixed for redemption, funds are required to be deposited with the Trustee to pay the redemption price of the Series 2015 Certificates called for redemption. Upon the giving of notice and the deposit of such funds available for redemption pursuant to the Indenture (which in certain cases as described above may be less than the full principal amount of the outstanding Series 2015 Certificates and accrued interest thereon to the redemption date), interest on the Series 2015 Certificates, or portions thereof, being redeemed will cease to accrue.

BASE RENTALS AND SERIES 2015 CERTIFICATES PAYMENT SCHEDULE

Set forth in the following table is an estimated schedule of the Base Rentals relating to the Leased Property to become due and payable under the Lease if the Lease is renewed by the State for the full Lease Term, which also constitutes the payment schedule for the Series 2015 Certificates. See also "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Optional Redemption.*"

Base Rentals and Series 2015 Certificates Payment Schedule
(Rounded)

Fiscal Year Ended June 30	Principal[1]	Interest[1]	Total
2016	$ 300,000	$ 169,205	$ 469,205
2017	420,000	360,950	780,950
2018	430,000	352,550	782,550
2019	440,000	339,650	779,650
2020	460,000	322,050	782,050
2021	470,000	312,850	782,850
2022	485,000	301,100	786,100
2023	500,000	276,850	776,850
2024	530,000	251,850	781,850
2025	555,000	225,350	780,350
2026	570,000	208,700	778,700
2027	600,000	180,200	780,200
2028	630,000	150,200	780,200
2029	655,000	125,000	780,000
2030	685,000	98,800	783,800
2031	705,000	76,538	781,538
2032	725,000	52,744	777,744
2033	755,000	27,369	782,369
	$9,915,000	$3,831,955	$13,746,955

[1] Principal of the Series 2015 Certificates is payable on March 15th and interest on the Series 2015 Certificates is payable on March 15th and September 15th. The Principal Portion and Interest Portion of the Base Rentals are payable by the State during the Lease Term three business days prior to the related principal and interest payment dates on the Series 2015 Certificates.

Source: The Underwriter

SECURITY OF SOURCES OF PAYMENT

Limited Obligations; Revenues

The Series 2015 Certificates evidence proportionate interests in the right to receive Revenues and are payable solely from the Trust Estate.

The Revenues are defined in the Indenture as:

- all amounts payable by or on behalf of the State or with respect to the Leased Property pursuant to the Lease, including, but not limited to, all Base Rentals, the Lease Purchase Option Price and Net Proceeds, but not including Additional Rentals; and
- any moneys and securities, including investment income, held by the Trustee in the Funds established under the Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

See generally "Payments by the State Under the Lease" and "The Base Rentals Fund" under this caption, as well as "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – The Sublease – *Sublessee's Option to Purchase the Trustee's Interest in the Leased Property Under Certain Circumstances*."

The Indenture provides that the Series 2015 Certificates do not constitute a mandatory charge or requirement of the State in any Fiscal Year beyond a Fiscal Year in which the Lease is in effect, and do not constitute or give rise to a general obligation or other indebtedness of the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Series 2015 Certificates, the Indenture, the Lease, the Sublease, the Site Lease or any other document or instrument is to 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 General Assembly for Base Rentals and Additional Rentals 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 of the State Constitution, Section 20 of Article X of the State Constitution (see "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights") 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.

The execution and delivery of the Series 2015 Certificates will not directly or indirectly obligate the State to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the State's then current Fiscal Year.

Payments by the State Under the Lease

The primary source of payment of the Series 2015 Certificates is expected to be the Base Rentals paid by the State. Pursuant to the Lease, the State agrees to pay to the Trustee during the Lease Term Base Rentals for the use and possession of the Leased Property in an annual amount equal to the principal of and interest due on the Series 2015 Certificates. The State's obligation under the Lease to pay Base Rentals is subject to the State's annual right to terminate the Lease upon the occurrence of a Lease Event of Nonappropriation.

The State also has the option, but not the obligation, to terminate the Lease at any time by paying the Lease Purchase Option Price.

The State may pay the Base Rentals, Additional Rentals and other obligations under the Lease from any legally available sources, subject to annual appropriation thereof by the General Assembly, and it is expected that such obligations will be paid from the General Fund. However, the Lease does not, and may not be construed to, pledge or create a lien on any class or source of moneys of the State to the payments of the State's obligations under the Lease.

All payment obligations of the State under the Lease, including, but not limited to, payment of Base Rentals and Additional Rentals, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current Fiscal Year. Payment of Base Rentals, Additional Rentals and all other payments by the State under the Lease will constitute currently appropriated expenditures of the State, and pursuant to applicable statutes and subject to the terms of the Lease, the State will be obligated to pay such amounts during the Lease Term only from and to the extent of moneys appropriated annually therefor by the General Assembly in its sole discretion from any legally available sources, including the General Fund. The obligations of the State to pay Base Rentals, Additional Rentals and other amounts under the Lease do not constitute an indebtedness of the State within the meaning of any provision of the constitution or laws of the State concerning or limiting the creation of indebtedness of the State, nor do such obligations constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI of the State Constitution or Section 20(4) of Article X of the State Constitution (see "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights") or any other limitation or provision of the State Constitution or statutes. In the event the State does not renew the Lease, the sole security available to the Trustee, as lessor under the Lease, is the Leased Property and the rights of the Trustee to exercise the remedies in respect of the Leased Property provided in the Lease.

See "SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE – The Lease – *Payments By the State – Lease Event of Nonappropriation – Limitations on Obligations of the State*" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Application of Revenues and Other Moneys

The Indenture provides that all Base Rentals payable under the Lease and other Revenues are to be paid directly to the Trustee, and except for Net Proceeds to be applied pursuant to Section 8.07 of the Lease, the Trustee is to deposit all Revenues and any other payments received in respect of the Lease, immediately upon receipt thereof, to the Base Rentals Fund (described hereafter) in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Certificates on the next Interest Payment Date.

The Base Rentals Fund

The Indenture establishes in the custody of the Trustee the "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Base Rentals Fund" (the "Base Rentals Fund"), which is to be used for the deposit of all Revenues, upon receipt thereof by the Trustee, except for Net Proceeds that are required by the Lease to be applied to the costs of the repair, restoration, modification, improvement or replacement of Leased Property. Moneys in the Base Rentals Fund are to used solely for the payment of the principal of and interest on the Series 2015 Certificates and any Additional Certificates (as described below) whether on an Interest Payment Date, at maturity or upon prior redemption, except to the extent that such moneys are required to be deposited to the Rebate Fund as provided in the Lease, and the Trustee is to withdraw sufficient funds from the Base Rentals Fund to pay such amounts as the same become due and payable. Any moneys held in the Base Rentals Fund are to be invested by the Trustee in accordance with Article V of the Indenture.

Additional Certificates

So long as no Indenture Event of Default[1], Lease Event of Default or Lease Event of Nonappropriation has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered so long as such Additional Certificates are in accordance with the Enabling Legislation, which currently provides that the total amount of the principal component of the lease-purchase agreement shall not exceed $11,000,000 plus reasonable and necessary administrative, monitoring, and closing costs and interest. The Enabling Legislation could be amended or supplemented by new legislation enacted by the General Assembly and signed by the Governor in order to increase the maximum permitted amount. The principal of any Additional Certificates is required to mature on March 15, and the interest payment dates therefor are to be the same as the Interest Payment Dates for the Series 2015 Certificates. Otherwise, the times and amounts of payment of Additional Certificates are to be as provided in the supplemental Indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered, without the consent of or notice to the Owners or Beneficial Owners of outstanding Series 2015 Certificates, to provide moneys to pay either or both of the following: (a) the costs of making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property as the State may deem necessary or desirable, and as in accordance with the provisions of the Lease; or (b) to refund or refinance all or any portion of outstanding Series 2015 Certificates.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee: (a) originally executed counterparts of a supplemental Indenture and related and necessary amendments to the Site Lease, the Lease and, if necessary, the Sublease (including any necessary amendment to the Base Rentals Schedule); (b) a commitment or other evidence that the amount of the title insurance policy delivered in respect of the Series 2015 Certificates will be increased, if necessary, to reflect the amount of the Additional Certificates and all other outstanding Certificates, or such lesser amount as is the maximum insurable value of the real property included in the Leased Property; (c) a written opinion of Special Counsel to the effect that: (i) the execution and delivery of Additional Certificates have been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled; (ii) the excludability of interest from gross income for federal income tax purposes on outstanding Certificates will not be adversely affected by the execution and delivery of the Additional Certificates being executed and delivered; and (iii) the sale, execution and delivery of the Additional Certificates, in and of itself, will not constitute an Indenture Event of Default or a Lease Event of Default, nor cause any violation of the covenants or representations in the Indenture or in the Lease; (d) the documents required by Section 8.05 or 8.06 of the Lease, if applicable; and (e) written directions from the underwriter, placement agent or purchaser(s) in respect of the Additional Certificates, together with written acknowledgment of the State, to the Trustee to deliver the Additional Certificates to such purchaser(s) upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered in accordance with Indenture will evidence a proportionate interest in the rights to receive the Revenues under the Indenture and will be ratably secured with all other outstanding Certificates in respect of all Revenues, and will rank *pari passu* with such other outstanding Certificates as well as with any Additional Certificates that may be executed and delivered in the future.

[1] An Indenture Event of Default includes (i) the failure to pay the principal of, premium, if any, or interest on any Series 2015 Certificate or Additional Certificate when due, (ii) a Lease Event of Default or (iii) a Lease Event of Nonappropriation. For more information about Indenture Events of Default and associated remedies, see Article VII of the form of the Indenture appended to this Official Statement.

SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE LEASE AND THE SUBLEASE

The following is a summary of selected provisions of the Site Lease, the Lease and the Sublease. Certain other provisions of these documents are summarized elsewhere in this Official Statement. The following summary is qualified in its entirety by reference to the Site Lease, the Lease and the Sublease, the forms of which are appended to this Official Statement.

The Site Lease

The Site Lease, entitled "State of Colorado Bureau of Investigation Grand Junction Regional Facility Site Lease Agreement," will be dated as of and entered into on the Closing Date by and between the State of Colorado, acting by and through the CDPS, for the use and benefit of the CBI, as site lessor, and UMB Bank, n.a., solely in its capacity as the Trustee under the Indenture, as site lessee. Pursuant to the Site Lease, the CDPS will lease the Leased Property to the Trustee for a term of 28 years.

Term. The term of the Site Lease will commence on the date the Site Lease is executed and delivered and will expire upon the earliest of (i) June 30, 2043, (ii) payment or defeasance of all outstanding Certificates executed and delivered pursuant to the Indenture and conveyance of the Trustee's leasehold interest in the Leased Property to the State pursuant to Article IX of the Lease, or (iii) conveyance of the Leased Property to the CDPS pursuant to Article IX of the Sublease. See "The Sublease – *Sublessee's Purchase Option*" below. Upon termination of the Site Lease, all unaccrued obligations of the Trustee thereunder will terminate, but all obligations of the Trustee that have accrued thereunder prior to such termination will continue until discharged in full.

Rent. The Trustee is not obligated to pay any rent under the Site Lease. The consideration to the CDPS for the right of the Trustee to use the Leased Property during the term of the Site Lease is the application by the Trustee of the proceeds of the Series 2015 Certificates to pay for the acquisition of the Leased Property and the Costs of Execution and Delivery.

Subleasing and Other Grants of Use. The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the Lease, and the State is expressly authorized to sublease the Leased Property to the CDPS pursuant to the Sublease. The Trustee is also expressly authorized to lease or sublease the Leased Property, to sell or assign its leasehold interest in the Leased Property or to create other interests in the Leased Property for the benefit of any other party in connection with the exercise of the Trustee's remedies under the Lease and the Indenture following a Lease Event of Default, a Lease Event of Nonappropriation or an Indenture Event of Default.

Substitution of Other Property for the Leased Property. If the State substitutes other real property under the Lease for all or any portion of the Leased Property, the property so substituted under the Lease may also be substituted for the Leased Property under the Site Lease in any manner and on any terms determined by the State in its sole discretion.

Financial Obligations of Trustee Limited to Trust Estate. All financial obligations of the Trustee under the Site Lease, except those resulting from its negligence or willful misconduct, are limited to the Trust Estate.

Events of Default and Remedies. A "Site Lease Event of Default" will 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 under the terms of the Site Lease 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 CDPS, unless the CDPS consents 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 CDPS may not withhold its consent to an extension of such time if corrective action is instituted within the applicable period and diligently pursued until the default is corrected; and (b) if, by reason of *Force Majeure*, the Trustee is unable in whole or in part to carry out any agreement in the Site Lease, the Trustee will not be deemed in default during the continuance of such inability; provided, however, that the Trustee is obligated, as promptly as legally and reasonably possible, to remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances with respect to the Trustee will be solely within the discretion of the Trustee.

Whenever any Site Lease Event of Default has occurred and is continuing, the CDPS may take one or any combination of the following remedial steps: (a) enforce any provision of the Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Site Lease by specific performance, writ of mandamus or other injunctive relief; and (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, subject, however, to the limitations on the obligations of the Trustee described in "*Financial Obligations of Trustee Limited to Trust Estate*" above.

No Merger. No merger of the Site Lease and the Lease or of the Sublease will be deemed to occur as a result of the exercise of any remedy by the CDPS under the Site Lease. So long as any of the Certificates are outstanding and unpaid in accordance with the terms thereof, (i) the Base Rentals payable to the Trustee under the Lease are to continue to be paid to the Trustee, except as provided in the Lease, and (ii) the Site Lease shall not be terminated except as described in "*Term*" above.

Amendments to the Site Lease. The Site Lease may be amended only in accordance with Article IX of the Indenture, the form of which is appended to this Official Statement.

The Lease

The Lease, entitled "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement," will be dated as of and entered into on the Closing Date by and between UMB Bank, n.a., solely in its capacity as the Trustee under the Indenture, as lessor, and the State of Colorado, acting by and through the State Treasurer, as lessee. The Lease leases to the State the Trustee's leasehold estate in the Leased Property under the Site Lease.

Lease Term. The Lease Term will be comprised of (i) the Initial Term, which will commence on the date that the Lease is executed and delivered and end on June 30, 2016, plus (ii) 17 successive one-year Renewal Terms that coincide with the State's Fiscal Year, subject to the provisions described below.

The Lease Term will expire upon the earliest of: (a) the day on which the final Base Rental payment is scheduled to be paid in accordance with the Lease; (b) June 30th of the Initial Term or of any Renewal Term during which a Lease Event of Nonappropriation has occurred; (c) the purchase of the Trustee's interest in all the Leased Property by the State pursuant to the Lease or by the Sublessee in accordance with the Sublease; or (d) termination of the Lease following a Lease Event of Default in accordance with the Lease. Notwithstanding clause (b) above, a Lease Event of Nonappropriation will not be deemed to occur if, on or before August 15th of the ensuing Fiscal Year, (i) the General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid a Lease Event of Nonappropriation, and (ii) the State has paid all Base Rentals and Additional Rentals due during the period from June 30th through the date of such appropriation or authorization.

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease will terminate, but all obligations of the State that have accrued thereunder prior to such termination will continue until discharged in full; and if the termination occurs because of the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default, the State's right to possession of the Leased Property thereunder will terminate and (i) the State, within 90 days, is to vacate the Leased Property and cause the Sublessee to vacate the Leased Property; and (ii) if and to the extent the General Assembly has appropriated funds for payment of Base Rentals and Additional Rentals 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 is required to pay Base Rentals to the Trustee and Additional Rentals to the Person entitled thereto. If the termination occurs because of the occurrence of a Lease Event of Nonappropriation or a Lease 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 Site Lease, the Lease, the Sublease and the Indenture appended to this Official Statement.

Payments by the State. Pursuant to the Lease, the State agrees to pay to the Trustee during the Lease Term Base Rentals for the use and possession of the Leased Property in an annual amount equal to the principal of and interest due on the Certificates, together with Additional Rentals constituting certain administrative and other costs incident to the Lease and the Indenture. Additional Rentals are to be paid directly to the persons to whom they are owed. The Base Rentals will be comprised of a Principal Portion and an Interest Portion.

The obligations of the State to pay Base Rentals and Additional Rentals during the Lease Term, to the extent appropriated by the General Assembly and subject to the exceptions provided in the Lease, are absolute and unconditional and may 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 party relating to the Leased Property, the State will be obligated during the Lease Term to pay all Base Rentals and Additional Rentals when due and may not withhold any Base Rentals or Additional Rentals payable during the Lease Term pending final resolution of such dispute or assert any right of setoff or counter claim against its obligation to pay Base Rentals or Additional Rentals; provided, however, that the payment of any Base Rentals and Additional Rentals will not constitute a waiver by the State of any rights, claims or defenses which the State may assert. No action or inaction on the part of the Trustee is to affect the State's obligation to pay Base Rentals and Additional Rentals during the Lease Term.

Lease Event of Nonappropriation. The Executive Director of the CBI or such other officer of the CBI who is responsible for formulating budget proposals for the CBI with respect to payment of Base Rentals and Additional Rentals is directed to (i) estimate the Additional Rentals payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the General Assembly during the Lease Term; and (ii) include in each annual budget proposal submitted to the General Assembly during the Lease Term the entire amount of Base Rentals scheduled to be paid and the Additional Rentals 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 the Lease shall be made solely by the General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

A Lease Event of Nonappropriation will be deemed to have occurred, subject to the State's right to cure as provided below, on June 30th of any Fiscal Year if the General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year. Notwithstanding the previous sentence, a Lease Event of Nonappropriation will not be deemed to occur if, on or before August 15th of the next ensuing Fiscal Year, (i) the General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid a Lease Event of Nonappropriation, and (ii) the State has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such appropriation or authorization.

If the State determines to exercise its annual right to terminate the Lease or fails to budget sufficient moneys to pay the Base Rentals and estimated Additional Rentals for the ensuing Fiscal Year, the State is to give written notice to such effect to the Trustee by the earlier of May 15th of such Fiscal Year or 30 days from the adoption of its budget; provided, however, that the failure to give such notice will not (i) constitute a Lease Event of Default or an Indenture Event of Default, (ii) prevent the State from terminating the Lease or (iii) result in any liability on the part of the State.

Limitations on Obligations of the State. Payment of Base Rentals and Additional Rentals and all other payments by the State are subject to the limitations described in "SECURITY AND SOURCES OF PAYMENT – Payments by the State Under the Lease."

No provision of the Certificates, the Indenture, the Lease, the Sublease, the Site Lease or any other document or instrument is to 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 General Assembly for Base Rentals and Additional Rentals 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 of the State Constitution, Section 20 of Article X of the State Constitution (see "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights") 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.

No provision of the Lease is to be construed to pledge or to create a lien on any class or source of moneys of the State, nor does any provision of the Lease restrict the future issuance of any obligations of the State, payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture will apply to the issuance of Additional Certificates.

State's Purchase Option. The Lease grants to the State the option to purchase the Trustee's leasehold interest as to all, but not less than all, of the Leased Property, and thereby terminate the Lease, by paying to the Trustee the Lease Purchase Option Price, being an amount which is sufficient to: (i) redeem or defease all the outstanding Certificates; and (ii) pay all Additional Rentals payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to the Indenture. The Lease Purchase Option Price will be reduced by any available moneys in the funds and accounts created under the Indenture.

In order to exercise its option to purchase the Leased Property pursuant to the Lease, the State is required to: (i) give written notice to the Trustee (a) stating that the State intends to purchase the Leased Property pursuant to the Lease, (b) identifying the source of funds that the State will use to pay the Lease 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 Lease Purchase Option Price to the Trustee in immediately available funds on the closing date.

The State has no obligation to exercise such purchase option. See also Article IX to the form of the Lease appended to this Official Statement.\

Operation, Maintenance and Insurance of Leased Property. The State is obligated pursuant to the Indenture to pay taxes, if any, and utilities, to maintain casualty and property damage and public liability insurance in respect to the Leased Property, to maintain, preserve and keep the Leased Property in good repair, working order and condition, normal wear and tear excepted, and to make all necessary and proper repairs to the Leased Property except as otherwise provided in the Lease. The State is permitted to sublease all or any portion of the Leased Property, subject to compliance with its tax covenant in the Lease. See Article VII of the form of the Lease appended to this Official Statement and "THE LEASED PROPERTY – Property Damage, Defects or Title Event."

Modifications to and Substitution of the Leased Property. The Lease permits the State and the Sublessee, at their own expense, to make certain modifications to the Leased Property, and to substitute other property for the Leased Property with the consent of the Trustee. See Sections 8.05 and 8.06 of the form of the Lease appended to this Official Statement and "THE LEASED PROPERTY – Substitution of Leased Property by the State or the Sublessee."

Personal Property. The Lease permits the State and the Sublessee, at their own expense, to install equipment and other personal property in or on any portion of the Leased Property, which will not become part of the Leased Property unless it is permanently affixed to the Leased Property or its removal would materially damage the Leased Property.

General Covenants. In the Lease the State makes various covenants regarding the Leased Property, as well as covenants designed to preserve the tax-exempt status of the interest on the Certificates. See generally Article IX of the form of the Lease appended to this Official Statement.

Financial Obligations of Trustee Limited to Trust Estate. All financial obligations of the Trustee under the Lease, except those resulting from its negligence or willful misconduct, are limited to the Trust Estate.

Lease Events of Default and Remedies. The Lease provides that any of the following will constitute a Lease Event of Default:

(i) failure by the State to pay any specifically appropriated Base Rentals to the Trustee on or before the applicable due date, provided that such failure will not constitute a Lease Event of Default if such payment is received by the Trustee on or before the Business Day prior to the date on which principal or interest is payable on the Certificates;

(ii) failure by the State to pay any Additional Rentals for which funds have been specifically appropriated when due, or if such Additional Rentals are 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 a Lease Event of Nonappropriation;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of the Lease, or any succession to all or any portion of the interest of the State in the Leased Property in violation of the Lease; or

(v) failure by the State to observe and perform any covenant, condition or agreement, 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 is given to the State by the Trustee, unless the Trustee consents 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 is not to withhold its consent to an extension of such time if corrective action has been instituted within the applicable period and is diligently pursued until the default is corrected.

Notwithstanding the foregoing, (i) the State will be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except as otherwise expressly provided in Section 4.02(b)(ii) of the Lease; and (ii) if, by reason of *Force Majeure*, the State is unable in whole or in part to carry out any agreement on its part contained in the Lease, other than its obligation to pay Base Rentals and Additional Rentals, the State will not be deemed in default during the continuance of such inability; provided, however, that the State is to, 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 are to be solely within the discretion of the State.

Upon the occurrence and continuation of a Lease Event of Default, 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 vacate the Leased Property;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessee's purchase option under the Sublease;

(c) recover any of the following from the State that is not recovered pursuant to paragraph (b) above: (i) the portion of Base Rentals and Additional Rentals payable pursuant to clause (ii) of the last paragraph of "*Lease Term*" above; (ii) the portion of Base Rentals for the then current Fiscal Year that has been specifically appropriated by the General Assembly, regardless of when the State vacates the Leased Property; and (iii) the portion of the Additional Rentals for the then current Fiscal Year that has been specifically appropriated by the General Assembly, but only to the extent such Additional Rentals 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 the Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII of the Lease 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 the Lease, subject, however, to the limitations on the obligations of the State provided in the Lease.

The Trustee will also be entitled, upon any Lease Event of Default, to any moneys in any funds or accounts created under the Indenture (except the Rebate Fund or any defeasance escrow accounts).

A judgment requiring a payment of money may be entered against the State by reason of a Lease Event of Default only as to certain liabilities of the State as described in the Lease. Likewise, a judgment requiring a payment of money may be entered against the State by reason of a Lease Event of Nonappropriation, or a failure to vacate the Leased Property following a Lease Event of Nonappropriation, only to the extent provided in clause (i) of paragraph (c) above.

All property, funds and rights acquired by the Trustee upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the Lease and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized.

See Article XII of the form of the Lease appended to this Official Statement and "RISKS AND OTHER INVESTMENT CONSIDERATIONS."

Amendments to the Lease. The Lease may be amended only in accordance with Article IX of the Indenture, the form of which is appended to this Official Statement.

No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the 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 is available 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 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.

The Sublease

The Sublease, entitled "State of Colorado Bureau of Investigation Grand Junction Regional Facility Sublease Agreement," will be dated as of and entered into on the Closing Date by and between the State of Colorado, acting by and through the State Treasurer, as sublessor, and the State of Colorado, acting by and through the CDPS, for the use and benefit of the CBI, as Sublessee. Pursuant to the Sublease, the State will sublease the Leased Property to the CDPS under substantially the same terms as the Lease with certain exceptions.

Payments by the CDPS. Base rentals under the Sublease ("Sublease Base Rentals") are payable by the CDPS to the State. The CDPS has no right to compel the State to pay any Base Rentals or Additional Rentals under the Lease, and the State will not have any liability to the CDPS for a failure by the State to pay Base Rentals or Additional Rentals under the Lease for any reason.

Payments by the Sublessee of Sublease Base Rentals, Sublease Additional Rentals and other amounts under the Sublease are also subject to annual appropriation by the General Assembly, and are subject to the same limitations applicable to the State under the Lease, as described in "SECURITY AND SOURCES OF PAYMENT – Payments By the State Under the Lease" and "The Lease – *Payments by the State – Lease Event of Nonappropriation – Limitations on Obligations of the State*" above.

Sublessee's Option to Purchase the Trustee's Interest in the Leased Property Under Certain Circumstances. The Sublease grants to the Sublessee the option to purchase all, but not less than all, of the Trustee's leasehold interest in the Leased Property, and thereby terminate the Sublease, upon the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default, by paying to the Trustee the Sublease Purchase Option Price, which is an amount sufficient to: (i) redeem or defease all the outstanding Certificates; and (ii) pay all Sublease Additional Rentals and Additional Rentals due under the Lease, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Certificates, that are payable through the date on which the Leased Property is conveyed to the Sublessee pursuant to the Sublease.

In order to exercise its option to purchase the Trustee's leasehold interest in the Leased Property pursuant to the Sublease, the Sublessee is required to: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that a Lease Event of Nonappropriation or a Lease Event of Default has occurred (a) stating that the Sublessee intends to purchase the Leased Property pursuant to the Sublease, (b) identifying the person or entity to whom the Leased Property is to be conveyed, (c) identifying the source of funds that the State will use to pay the Sublease Purchase Option Price and (d) specifying a closing date for such purpose, which is to be no more than 90 days after the delivery of such notice; and (ii) pay the Sublease Purchase Option Price to the Trustee in immediately available funds on the closing date.

The Sublessee has no obligation to exercise such purchase option. See also Article IX of the form of the Sublease appended to this Official Statement.

THE LEASED PROPERTY

Description of the Leased Property

The Leased Property under the Site Lease, the Lease and the Sublease will consist of the site and improvements thereon comprising the CBI's Grand Junction regional office and forensic laboratory located at 2797 Justice Drive in the City of Grand Junction in western Colorado. The Leased Property does not include any personal property or equipment located in or on the Leased Property unless it is either permanently affixed to the Leased Property or its removal would materially damage the Leased Property. The Leased Property is currently being leased by the CDPS for the use and benefit of the CBI pursuant to the 2006 Lease, and will be acquired by and conveyed to the CDPS on the Closing Date as described in "INTRODUCTION – Plan of Finance" and "PLAN OF FINANCE – Refinancing of the 2006 Lease."

The Leased Property consists of an approximately 38,700 square foot steel-framed single story commercial building situated on an approximately 3.15 acre site in Air Tech Park, a commercial subdivision located in Grand Junction near Interstate 70 and Walker Field Airport. See "IMAGES OF THE LEASED PROPERTY" herein. The building was constructed in 2007 to the specifications of the CBI, which has occupied the facility since it 2008 pursuant to the 2006 Lease. The facility encompasses laboratory and investigative offices, analytical space for conducting forensic examination, training space for forensics, investigations and outside-user agencies, a specialized heating, ventilation and air conditioning (HVAC) system, evidence storage and sound-proof polygraph and interview rooms. The forensic facilities are International Organization for Standardization (ISO) accredited, meaning that the facilities meet the general standards for the competence of testing laboratories as established by the ISO, and also meet the supplemental requirements of the American Society of Crime Laboratory Directors/Laboratory Accreditation Board (ASCLD/LAB).

The Leased Property will also include any and all additions or modifications to, or replacements of, the existing improvements, as well as any real property, buildings or equipment leased by the CDPS to the Trustee pursuant to a future amendment to the Site Lease and leased by the State from the Trustee pursuant to a future amendment to the Lease in connection with the execution and delivery of Additional Certificates. See "SECURITY AND SOURCES OF PAYMENT – Additional Certificates."

No determination has been made of the potential value of the leasehold interest of the Trustee in the Leased Property upon the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default. The site of the Leased Property was donated to the Grand Junction, Colorado State Leasing Authority, Inc., which in 2006 estimated the market value of the site to be $650,000. The construction cost of the improvements located on the site, consisting of the CBI facility and appurtenant surface parking, was approximately $11.83 million, and the current insured value of such improvements is approximately $14.55 million. See also "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Consequences of a Lease Event of Nonappropriation or a Lease Event of Default."

Operation and Maintenance of the Leased Property; Insurance

The Lease and the Sublease obligate the State and the Sublessee to maintain, preserve and keep the Leased Property in good repair, working order and condition, normal wear and tear excepted, and to make all necessary and proper repairs to the Leased Property except as otherwise provided in the Lease. In addition, the Lease requires that the State pay as Additional Rentals, and the Sublease requires that the Sublessee pay as Sublease Additional Rentals, all of the expenses with respect to casualty and property damage insurance with respect to the Leased Property in an amount equal to the lesser of the current replacement value of the Leased Property or the outstanding principal amount of the Certificates, and to maintain public liability insurance in respect of the activities undertaken by the State and the Sublessee in connection with the Leased Property. See generally Articles VII and VIII of each of the forms of the Site Lease, the Lease and the Sublease appended to this Official Statement, as well as "Property Damage, Defect or Title Events" below and "LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE – Self-Insurance."

Substitution of Leased Property by the State or the Sublessee

The Lease and the Sublease permit the State and the Sublessee to substitute other property for the Leased Property with the consent of the Trustee and the State, respectively, subject to the conditions specified in Sections 8.05 and 8.06 of the forms of the Lease and the Sublease appended to this Official Statement.

Property Damage, Defect or Title Events

The Lease and the Sublease require the State and/or the Sublessee to repair, restore, modify, improve or replace any Leased Property that is (i) destroyed or damaged by fire or other casualty, (ii) taken under the exercise of the power of eminent domain, (iii) subject to a breach of warranty or a material defect or (iv) subject to loss of title or use by reason of a defect in the title thereto, in all cases subject to the conditions specified in Sections 8.07 of the forms of the Lease and the Sublease appended to this Official Statement. See also "Operation and Maintenance of the Leased Property; Insurance" above and "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*."

THE COLORADO DEPARTMENT OF PUBLIC SAFETY

The Colorado Department of Public Safety is one of 19 agencies of State government. Throughout the State, basic public safety services are delivered through local county sheriffs and local police departments. The CDPS provides support and assistance to these local departments through its several Divisions. Sheriff offices, police departments, district attorney's offices, fire departments, emergency managers and the Colorado Attorney General are among the local officials that may request assistance from the Department. The CDPS is currently comprised of the following Divisions:

- Colorado Division of Fire Prevention and Control: trains and certifies firefighters, conducts fire safety inspections of many public schools, hospitals and nursing homes and coordinates wildfire response and resources.

- Division of Criminal Justice: provides assistance to State and local agencies in the criminal justice system through grants, research and policy development.

- Division of Homeland Security and Emergency Management: works with Colorado's regional emergency managers to coordinate the State's response to disasters and emergencies within Colorado, and is also a partner to local, state, federal and international agencies that are responsible for terrorism investigations.

- Colorado State Patrol: employs over 900 sworn and civilian personnel, enforces state traffic laws on state highways and assists local authorities in any part of the State when needed.

- Executive Director's Office (includes the Colorado School Safety Resource Center and Human Resource Services): supervises all divisions, develops the department's budget and policies, provides liaison to the General Assembly, helps members of the public determine what CDPS office can provide assistance to them, supervises payroll and procurement services within the department and works with the Office of the Governor to carry out the mission of the Department.

- Colorado Bureau of Investigation: provides a variety of criminal investigation services to local agencies, including forensic and crime scene analysis, trained investigative response, fire investigations and complex financial crime investigations. See "THE COLORADO BUREAU OF INVESTIGATION" hereafter.

THE COLORADO BUREAU OF INVESTIGATION

The Colorado Bureau of Investigation was created by the General Assembly in 1967 to support and assist local, county and state criminal justice agencies through the provision of professional investigative and forensic laboratory services, as well as the management and administration of criminal justice records and data sharing. The CBI was initially an operational section of the Office of the Colorado Attorney General in the Colorado Department of Law, but in 1984 the CBI was established as a division of the CDPS. The mission of the CBI is to: suppress crime, promote safety and security and manage statewide criminal justice information; deliver excellence in criminal and background investigations, forensic/laboratory services and comprehensive criminal justice data management; and build trusting relationships and partnerships within the State and in local communities to improve the quality of life in Colorado.

The CBI is a "by request" agency, responding to requests for investigative service from local law enforcement, district attorneys and other State agencies. The CBI currently operates six facilities throughout the State, including three full-service regional facilities located in Lakewood, Grand Junction and Pueblo and three satellite facilities located in Durango, Boulder and the Northern Region of Colorado.

The Leased Property constitutes CBI's Grand Junction regional office and forensic laboratory, which offers several services to support local law enforcement. This facility may be called on to provide assistance to law enforcement agencies anywhere in the State, but has priority jurisdiction over services in Moffat, Rio Blanco, Garfield, Mesa, Pitkin, Delta, Gunnison, Montrose, San Miguel, Ouray, Hinsdale, Dolores, San Juan, Montezuma, La Plata and Archuleta Counties. The Grand Junction office currently is authorized for 27 full time equivalent (FTE) employees, including both investigative and forensic staff.

RISKS AND OTHER INVESTMENT CONSIDERATIONS

An investment in the Series 2015 Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of the principal of and interest on the Series 2015 Certificates and could also affect the market price of the Series 2015 Certificates to an extent that cannot be determined.

Option to Renew the Lease Annually

The obligation of the State to make payments under the Lease does not constitute an obligation of the State to apply its general resources beyond the current Fiscal Year. The State is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are appropriated by the General Assembly each year, notwithstanding that sufficient funds may or may not be available for such purpose. If, on or before June 30 of each Fiscal Year, the General Assembly does not specifically appropriate amounts sufficient to pay all Base Rentals and Additional Rentals, as estimated, for the next Fiscal Year, then a "Lease Event of Nonappropriation" will occur. If a Lease Event of Nonappropriation occurs as described above or otherwise as provided in the Lease, the Lease Term of the Lease will be terminated. Notwithstanding the foregoing, a Lease Event of Nonappropriation will not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid a Lease Event of Nonappropriation and (ii) the State has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such appropriation or authorization. See Section 6.04 in the form of the Lease appended to this Official Statement.

There is no assurance that the State will renew the Lease from Fiscal Year to Fiscal Year and therefore not terminate the Lease, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself for the remaining term of the Site Lease, unless the purchase option under the Lease or the Sublease has been exercised) if the State does not renew the Lease on an annual basis and therefore terminates all of its obligations under the Lease. Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State for the Leased Property. In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the State's control, such as the economy, legislative changes and federal funding. Restrictions imposed under the State Constitution on the State's revenues and spending apply to the col1ection and expenditure of certain revenues which may be used to pay Base Rentals and Additional Rentals.

Payment of the principal of and interest, if any, on the Series 2015 Certificates upon the occurrence of a Lease Event of Default or a Lease Event of Nonappropriation will be dependent upon (i) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (ii) any rental income from leasing (to others) the Leased Property. See "Consequences of a Lease Event of Nonappropriation or a Lease Event of Default" under this caption.

The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use of all of the Leased Property by the State for the remaining term of the Site Lease. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it, make any payment on the Series 2015 Certificates or otherwise pursuant to the Lease except to the extent of amounts in the Trust Estate under the Indenture.

See also "STATE FINANCIAL INFORMATION," "DEBT AND OTHER FINANCIAL INFORMATION," "APPENDIX B – THE STATE GENERAL FUND," "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST," "APPENDIX D – STATE PENSION SYSTEM" and "APPENDIX E – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

Consequences of a Lease Event of Nonappropriation or a Lease Event of Default

General. In the event of the termination of the Lease upon the occurrence of a Lease Event of Nonappropriation or a Lease Event of Default, the State is required to vacate the Leased Property under the Lease and the Sublessee is required to vacate the Leased Property being used under the Sublease (unless the purchase option under the Sublease has been exercised) within 90 days. The Sublease will automatically terminate upon any nonrenewal of the Lease by the State. Subject to the right of the Sublessee to purchase the Leased Property under the Sublease, 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 Lease, 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 Lease. The Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the Lease provides that a judgment requiring a payment of money may be entered against the State by reason of a Lease Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the Lease and only as to certain liabilities as described in the Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Lease and the Indenture), are required to be used to redeem the Certificates if and to the extent any such moneys are realized. See Sections 12.01 and 12.02 in the form of the Lease appended to this Official Statement and "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the outstanding Series 2015 Certificates and accrued interest thereon. If any Series 2015 Certificates are redeemed subsequent to a termination of the 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 Series 2015 Certificates pursuant to the Indenture; and upon such a partial payment, no owner of any Series 2015 Certificate will have any further claims for payment upon the State, the Trustee, or the Sublessee.

Factors Affecting the Value of the Leased Property. Prospective investors should not assume that it will be possible to sell the Trustee's leasehold interest in, lease or sublease the Leased Property or any portion thereof after a termination of the Lease as the result of a Lease Event of Nonappropriation or a Lease Event of Default for an amount equal to the aggregate principal amount of the Series 2015 Certificates then outstanding plus accrued interest thereon. This could result from the inability to recover certain of the costs incurred in connection with the execution and delivery of the Series 2015 Certificates. In addition, the building comprising the Leased Property facility was designed and constructed to the specifications of the CBI, including several features that are not typical of general office or commercial facilities such as unique laboratory facilities, a multi-faceted surveillance system, a multi-layered security access system, the ability to physically restrict access to various areas within the building and other features that are unique to a law enforcement facility. See "THE LEASED PROPERTY – Description of the Leased Property." These unique features may make the building less attractive to other lessees if the Trustee is required to re-let the facility following the termination of the Lease as the result of a Lease Event of Nonappropriation or a Lease Event of Default. It may be assumed that the building would be competing in a general office and commercial real estate market with other facilities that cost considerably less to build but offer equally functional space. Thus, other lessees may not be willing to pay sufficient rent to cover the added costs/expense associated with the unique features of the building. The Trustee's inability to recover the costs of the unique features from a new lessee may make it difficult or impossible to generate the amount necessary to pay the entire principal and interest due on the Series 2015 Certificates.

The value of the Leased Property could also be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements, restrictive covenants or other land use regulations may also restrict use of the Leased Property. The Sublessee and the State may also substitute other property for the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – *Substitution of Leased Property*."

Upon termination of the Lease as the result of a Lease Event of Nonappropriation or a Lease Event of Default, there is no assurance of any payment of the principal of the Series 2015 Certificates.

The principal of and interest on the Series 2015 Certificates will be paid from amounts constituting the State's payment of the Base Rentals 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 Rentals. The State is not permitted to renew the Lease with respect to less than all of the Leased Property. Accordingly, a decision not to renew the Lease would mean the loss of the use by the State of all of the Leased Property for the remaining term of the Site Lease.

Termination of the Lease as a Result of Property Damage, Defect or Title Events

The Lease may be terminated as a result of certain damage to, defects in or loss of use of the Leased Property that is not fully covered by insurance as discussed in "THE LEASED PROPERTY – Property Damage, Defect or Title Events." If the Net Proceeds of applicable insurance are not sufficient to fund the repair or replacement of the affected Leased Property and the General Assembly does not appropriate the additional required amount, nor does the State substitute adequate property for the affected portion of the Leased Property, a Lease Event of Nonappropriation will be deemed to have occurred and the Trustee may thereupon pursue any of the remedies available under the Lease and the Indenture upon the occurrence of such event. See also "Consequences of a Lease Event of Nonappropriation or a Lease Event of Default" above, "THE LEASED PROPERTY – Operation and Maintenance of the Leased Property; Insurance" and "THE SERIES 2015 CERTIFICATES – Redemption Prior to Maturity – *Extraordinary Mandatory Redemption*."

Enforceability of Remedies

Under the Lease, the Trustee has the right to take possession of and dispose of the Leased Property upon a Lease Event of Nonappropriation or a Lease Event of Default. However, the enforceability of the Lease 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 of Colorado, 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 State may be in default under the Lease. The right of the Trustee to obtain possession of the Leased Property and to sell its leasehold interest in, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the CDPS. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell the leasehold interest in or re-lease the Leased Property as permitted under the Lease and the Indenture or to redeem or pay the Series 2015 Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Tax and Securities Law Implications of the Termination of the Lease as the Result of a Lease Event of Nonappropriation or a Lease Event of Default

Special Counsel will express no opinion as to the effect of any termination of the State's obligations under the Lease under certain circumstances as provided in the Lease upon the treatment for federal or State income tax purposes of any moneys received by the Owners or Beneficial Owners of the Series 2015 Certificates subsequent to such termination. See "TAX MATTERS." If the Lease is terminated and the Leased Property is re-let to a lessee that is not a governmental entity, there is no assurance that the Series 2015 Certificates will thereafter be transferable without registration, or pursuant to a transactional exemption from registration, under federal or state securities laws.

State Budgets and Revenue Forecasts

The State Constitution requires that expenditures for any 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 September 21, 2015 (the "OSPB September 2015 Revenue Forecast"), and is included in its entirety in this Official Statement. See "STATE FINANCIAL INFORMATION," "APPENDIX B – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE

FORECAST." The Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the modified accrual method 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 a modified accrual basis, which is not solely based on when such amounts are received or paid. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations," "APPENDIX B – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

The next OSPB revenue forecast will be released in December 2015. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2015 Revenue Forecast. A revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rentals in subsequent years. If a revenue shortfall is projected for Fiscal Year 2015-16 and subsequent forecasted years, budget cuts and/or actions to increase the amount of money in the General Fund will be necessary to ensure a balanced budget. See "APPENDIX B – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts – *Revenue Shortfalls*" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

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 the preliminary notices in this Official Statement regarding forward looking statements.

Actions by the Sublessee

Although the State's payment of Base Rentals and Additional Rentals under the Lease will not depend or be conditioned upon payment by the Sublessee of the Sublease Base Rentals or Sublease Additional Rentals under the Sublease, certain actions by the Sublessee in respect of the Leased Property could adversely impact the interests of the Owners and Beneficial Owners of the Series 2015 Certificates. For example, failure to operate or maintain the Leased Property in accordance with the terms of the Sublease could diminish the value of the Leased Property. If the Lease is terminated as the result of a Lease Event of Nonappropriation or a Lease Event of Default and the Trustee exercises its re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee's ability to recoup rentals or obtain a sale price sufficient to pay or redeem the entire principal amount of the outstanding Series 2015 Certificates. Similarly, violations of environmental laws could diminish the rental or sale value of the Leased Property, and could lead to the imposition of fines and penalties under applicable federal and State laws. Failure by the Sublessee to obtain the casualty and property insurance policies required by the Sublease could limit the principal amount of Series 2015 Certificates redeemed upon the damage or destruction of the Leased Property under certain circumstances. In addition, while the State expects that the Series 2015 Certificates will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the Leased Property will be used pursuant to the Sublease by the CDPS and the CBI, which are governmental units, any use of the Leased Property by private persons or businesses within the meaning of the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder (the "Federal Tax Code"), could adversely affect the federal tax treatment of interest on the Series 2015 Certificates.

Future Changes in Laws

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

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 103,718 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,315 to 14,433 feet above sea level. The current population of the State is approximately five 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 E – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014" and "APPENDIX F – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State Constitution empowers the General Assembly to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials commenced in January of 2015 (following the general election held in November of 2014) and will expire on the second Tuesday in January of 2019. No elected executive official may serve more than two consecutive terms in the same office.

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

STATE FINANCIAL INFORMATION

The State may pay the Base Rentals, Additional Rentals and other obligations under the Lease from any legally available sources, subject to annual appropriation thereof by the General Assembly, and while it is expected that such obligations will be paid from the General Fund, the Lease does not, and may not be construed to, pledge or create a lien on any class or source of moneys of the State to the payments of the State's obligations under the Lease. It is important for prospective investors to analyze the overall financial condition of the State, including, but not limited to, the General Fund in order to make an evaluation of the risk of a Lease Event of Nonappropriation or a Lease Event of Default. See "SECURITY AND SOURCES OF PAYMENT" and "RISKS AND OTHER INVESTMENT CONSIDERATIONS." Financial information about the State is provided in this section, as well as in "DEBT AND OTHER FINANCIAL OBLIGATIONS" hereafter, "APPENDIX B – THE STATE GENERAL FUND," "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST," "APPENDIX D – STATE PENSION SYSTEM" and "APPENDIX E – STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014." See also "APPENDIX F – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

The State Treasurer

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

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

Taxpayer's Bill of Rights

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

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

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

Thirdly, TABOR requires the State to maintain an emergency reserve equal to 3% of its fiscal year spending (the “TABOR Reserve”), which may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. The annual Long Appropriation Bill (the “Long Bill”) designates the resources that constitute the TABOR Reserve, which historically have consisted of portions of various State funds plus certain State real property. The amounts of the TABOR Reserve for Fiscal Years 2014-15 and 2015-16 have been estimated by the General Assembly in the related Long Bills to be approximately $361.5 million and $386.7 million, respectively.

Fiscal Year Revenue and Spending Limits; Referendum C. As noted above, unless otherwise approved by the voters, TABOR limits annual increases in State revenues and fiscal year spending, with any excess revenues required to be refunded to taxpayers. Fiscal year spending is defined as all expenditures and reserve increases except those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales.

The maximum annual percentage change in State fiscal year spending is limited by TABOR to inflation (determined as the percentage change in U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index) plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991, being the base year for calculating fiscal year spending. TABOR provides for an automatic decrease in the State fiscal year spending limit when State TABOR revenues decline without a corresponding automatic increase in State fiscal year spending limit when State TABOR revenues increase. This can result in what is commonly referred to as the “ratchet down effect” whenever there is a decline in TABOR revenues. The ratchet down effect occurs because each year’s TABOR limit is calculated based on the lesser of the prior year’s TABOR revenues or the prior year’s TABOR limit. In a year in which the State’s TABOR revenues are below the existing TABOR limit, the lesser amount is required to be used to calculate the following year’s TABOR limit. Unlike this automatic reduction, the only means of increasing the TABOR limit is with the approval of State voters. The State experienced the ratchet down effect when TABOR revenues declined by 13.1% between Fiscal Years 2000-01 and 2002-03, followed by an increase of 8.0% in Fiscal Year 2003-04.

Several measures were passed by the General Assembly during the 2005 legislative session in an effort to relieve State budget challenges, including statutory changes designed to mitigate the ratchet down effect of TABOR on the State’s finances. One of two measures that were referred by the General Assembly to a statewide vote in November of 2005, designated “Referendum C,” was approved by State voters and thereafter codified as Sections 24-77-103.6 and 106.5, C.R.S. The immediate impact of Referendum C was to preclude any ratchet down effect on the State beginning in Fiscal Years 2005-06. It also authorized the State to retain and spend any amount in excess of the TABOR limit in Fiscal Years 2005-06 through 2009-10. For Fiscal Years 2010-11 and thereafter, Referendum C created an Excess State

Revenues Cap, or "ESRC," as a voter-approved revenue change under TABOR that now serves as the limit on the State's fiscal year revenue retention. The base for the ESRC was established as the highest annual State TABOR revenues received in Fiscal Years 2005-06 through 2009-10. This amount, being the revenues received in Fiscal Year 2007-08, is then adjusted for each subsequent Fiscal Year for inflation, the percentage change in State population, the qualification or disqualification of enterprises and debt service changes, each having their respective meanings under TABOR and other applicable State law.

As a result of Referendum C, the State was able to retain the following amounts in excess of the previously applicable TABOR limit: $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and $1.169 billion in Fiscal Year 2007-08. TABOR revenues did not exceed the TABOR limit in either of Fiscal Years 2008-09 or 2009-10. TABOR revenues exceeded the TABOR limit in Fiscal Years 2010-11, 2011-12 and 2012-13 by $0.771 billion, $1.473 billion and $1.860 billion, respectively, although no refunds were required because such revenues were below the applicable ESRC.

The OSPB September 2015 Revenue Forecast projects that TABOR revenues in Fiscal Years 2014-15, 2015-16, 2016-17 and 2017-18 will exceed the TABOR limit by $2.384 billion, $2.489 billion $2.576 billion and $2.686.9 billion, respectively, and that the State will be $150.0 million above the applicable projected ESRC in Fiscal Year 2014-15, $116.7 million above the projected ESRC in Fiscal Year 2015-16, $398.0 million above the projected ESRC in Fiscal Year 2016-17 and $474.5 million above the projected ESRC in Fiscal Year 2017-18, meaning that TABOR refunds will be required unless State voters authorize the State to retain the excess amounts. No legislation has been enacted by the General Assembly to refer a ballot measure to the voters to allow the State to retain any of such excess revenues. The OSPB September 2015 Revenue Forecast projects TABOR refunds of $153.6 million[1] in Fiscal Year 2014-15, $116.7 million in Fiscal Year 2015-16, $398.0 million in Fiscal Year 2016-17 and $474.5 million in Fiscal Year 2017-18 associated with revenues in excess of the ESRC. Colorado law currently specifies three mechanisms by which revenues in excess of the ESRC are to be refunded to taxpayers: a sales tax refund to all taxpayers, the earned income tax credit to qualified taxpayers and a temporary income tax rate reduction. The amount that needs to be refunded determines which refund mechanisms are used. See "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit" for a discussion of the statutorily defined refund methodology and the anticipated refund that will be distributed through each mechanism according to the revenue projections in the OSPB September 2015 Revenue Forecast. See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview."

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

Potential TABOR Refund Associated with Proposition AA. The OSPB September 2015 Revenue Forecast also states that TABOR will require a refund of $66.1 million in Fiscal Year 2015-16 related to sales and excise taxes on the sale of marijuana and marijuana products ("Marijuana Taxes") in

[1] This amount includes $150.0 million in revenue above the ESRC forecast for Fiscal Year 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years as the result of either (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers, or (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers. See "Taxpayer's Bill of Rights: Revenue Limit" in the OSPB September 2015 Revenue Forecast appended to this Official Statement.

Fiscal Year 2014-15 unless voters authorize the State to retain and spend such amount. These Marijuana Taxes were authorized by Proposition AA approved by the State's voters in November of 2013 and were effective in January of 2014.

This potential refund is the result of TABOR requirements that election materials for any new or increased tax include both an estimate of the maximum revenue to be received from such new or increased tax in the first full fiscal year of the tax, and an estimate of State fiscal year spending subject to TABOR in such fiscal year without the new tax. If either of these estimates is exceeded, the excess revenue, up to the amount of the actual tax receipts from the new tax, is required to be refunded to taxpayers in the next fiscal year unless voters allow the State to retain such amount. There is also to be a commensurate reduction in the tax rate. State fiscal year spending subject to TABOR in Fiscal Year 2014-15 exceeded the estimate included in the Proposition AA election materials, and as such will trigger a required refund to taxpayers in Fiscal Year 2015-16 of $66.1 million in revenues from Marijuana Taxes unless voters approve otherwise. For a discussion of how the refund was determined, see "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST – Taxpayer's Bill of Rights: Revenue Limit." See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Revenue Sources – General Fund Overview."

In anticipation of this potential refund, the General Assembly enacted HB 15-1367 which, among other things, provides for a ballot issue to be referred to the State's voters at the general election to be held in November of 2015 that will seek authorization for the State to retain and spend any such refundable amount. The legislation also establishes conditional refund mechanisms should voters reject the ballot issue, provides for the disposition of the retained amount if voters approve the ballot issue and provides for the temporary reduction in the rates of the Marijuana Taxes in accordance with TABOR, subject, however, to later reinstatement without additional voter approval as authorized by Proposition AA.

Effect of TABOR on the Series 2015 Certificates. Voter approval under TABOR is not required for the execution and delivery of the Series 2015 Certificates because the State's obligations under the Lease are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year, and as therefore such obligations do not constitute a "multiple fiscal year direct or indirect ... debt or other financial obligation" within the meaning of TABOR.

State Funds

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

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 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 charges for services; (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2015-16 (SB 15-234) was adopted by the General Assembly in April of 2015.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two-thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2015-16 was approved and signed by the Governor on April 24, 2015.

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 2008-09 and thereafter. See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview."

State of Colorado
Unappropriated Reserve Requirement

Fiscal Years	Unappropriated Reserve Requirement[1]
2008-09 and 2009-10 [1]	2.0%
2010-11	2.3
2011-12	4.0
2012-13 and 2013-14	5.0
2015-16 and thereafter [2]	6.5

[1] The Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated level of 4.0% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

[2] Per HB 14-1337, the Unappropriated Reserve for Fiscal Years 2015-16 and thereafter was increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years.

The State's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2013-14 (the "Fiscal Year 2013-14 CAFR") appended to this Official Statement shows that the State ended such Fiscal Year with $410.9 million in General Fund Surplus, which is in excess of the required 5.0% Unappropriated Reserve level. The OSPB September 2015 Revenue Forecast indicates that the State ended Fiscal Year 2014-15 with reserves of $61.5 million in excess of the Unappropriated Reserve requirement, will end Fiscal Year 2015-16 with reserves of $34.3 million below the Unappropriated Reserve requirement and will end Fiscal Years 2016-17 and 2017-18 with reserves equal to the Unappropriated Reserve requirement. These figures are based on revenue and budget information available when the OSPB September 2015 Revenue Forecast was completed and are subject to change in subsequent OSPB revenue forecasts based on new information on revenue and expenditures.

See also "APPENDIX B – THE STATE GENERAL FUND – General Fund Overview – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

Expenditures; The Balanced Budget and Statutory Spending Limitation. The State Constitution requires that expenditures for any Fiscal Year not exceed available resources for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations were limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) an amount equal to 106% of General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

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

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

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

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

Fiscal Controls and Financial Reporting

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

The State Controller is appointed by the Executive Director of the Department of Personnel & Administration. Except for certain institutions of higher education which have elected to establish their own fiscal rules, the State Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants or checks for payment of claims against the State. The State Controller prepares a Comprehensive Annual Financial Report, or "CAFR," in accordance with generally accepted accounting principles ("GAAP") applicable to governmental entities, with certain statutory exceptions for budget compliance and reporting. The State's Fiscal Year 2013-14 CAFR is appended to this Official Statement.

The State implemented a new integrated financial system in July 2014 and has been experiencing various issues, including the labor allocation process which continues to utilize the State's legacy payroll system. The longer time period to complete labor allocation has caused delays in closing the State's monthly financial statements, with the result that the State currently expects that its Fiscal Year 2014-15 CAFR will not be completed by December 31, 2015, and may not be released until March 2016. See "CONTINUING DISCLOSURE – Compliance With Other Continuing Disclosure Undertakings."

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the financial statements in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Basis of Presentation of Financial Results and Estimates

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

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "Auditor") through the Auditor's staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the

General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2016. The Legislative Audit Committee is comprised of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The 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 2013-14 CAFR, nor has the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

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

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

See also Notes 14 and 15 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement and "APPENDIX B – THE STATE GENERAL FUND – Investment of the State Pool."

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. The State currently has, and upon issuance of the Series 2015 Certificates will have, no outstanding general obligation debt.

The State is authorized to and has entered into lease-purchase agreements in connection with various public projects, some of which have been financed by the sale of certificates of participation in the revenues of the related lease-purchase agreements. The obligations of the State to make lease payments under such agreements each Fiscal Year are contingent upon annual appropriations by the General Assembly. See Notes 24 and 25 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of the outstanding lease-purchase agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum lease payments due under such lease-purchase agreements entered into by the State for Fiscal Years 2013-14 and thereafter. See also Note 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of lease-purchase agreements entered into by the State after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. The State also entered into a lease-purchase agreement on July 9, 2014, for a laboratory facility for the CBI, the acquisition and renovation of which was funded by the sale of $11 million in principal amount of certificates of participation in such lease-purchase agreement. Finally, SB 15-207 authorizes the State to enter into one or more annually appropriated lease-purchase agreements having a maximum aggregate principal component of $11 million in order to refinance the CBI's Grand Junction regional office and forensic laboratory.

In addition to lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment, all of which contain a stipulation that continuation of the lease is subject to funding by the General Assembly. Historically, these agreements have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. In addition, these agreements generally are entered into through private negotiation with lessors, banks or other financial institutions rather than being publicly offered. See Notes 22 and 25 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of the outstanding lease/rental agreements entered into by the State as of June 30, 2014, as well as the aggregate minimum payment obligations under such agreements in Fiscal Years 2013-14 and thereafter.

The Colorado Department of Transportation ("CDOT") has issued Transportation Revenue Anticipation Notes for the purpose of financing qualified federal aid transportation projects in the State. At June 30, 2014, CDOT had outstanding approximately $430.5 million in aggregate principal amount of such notes. The notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

CDOT also is considering the relocation of its headquarters campus and three of its regional campuses, the size and structure of the financing for which has not yet been determined.

State departments and agencies, including State institutions of higher education, also issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment and construction of facilities and infrastructure. With the exception of the University of Colorado, which is governed by an elected Board of Regents, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. See Notes 24, 25 and 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of such bonds and notes outstanding as of June 30, 2014, and of those issued after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. 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.

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 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 amounts in the State Funds from which the State Treasurer is authorized to borrow under State law ("Borrowable Resources"). Since Fiscal Year 2003-04, the State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

See Notes 23 and 45 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a discussion of such notes outstanding as of June 30, 2014, and of such notes issued after June 30, 2014, but before publication of the Fiscal Year 2013-14 CAFR. After publication of the Fiscal

Year 2013-14 CAFR, the State issued $245 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015B, which matured and were paid in full, including approximately $2.07 million of interest, on June 29, 2015. The State issued $165 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2015A, on July 21, 2015, and $600 million of General Fund Tax and Revenue Anticipation Notes, Series 2015A, on July 23, 2015, in order to fund anticipated cash flow shortfalls in the State's General Fund in Fiscal Year 2015-16.

State Authorities

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

Pension and Post-Employment Benefits

General. The State provides post-employment benefits to its employees based on their work tenure and earnings history through a defined benefit pension plan (as more particularly defined in "APPENDIX D – 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 D – STATE PENSION SYSTEM." For a detailed discussion of the State Division Plan, the State Division DC Plan, the limited healthcare plan and PERA, see Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, as well as PERA's Comprehensive Annual Financial Report for calendar year 2014 (the "PERA 2014 CAFR"). The information in the State's Fiscal Year 2013-14 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2013, while the information under this caption and in "APPENDIX D – STATE PENSION SYSTEM" is derived from the PERA 2014 CAFR. See also "*Future Accounting Standards*" hereafter.

The State Division Plan. The State Division Plan is funded with contributions made by the State and by each participating State employee at rates that are established by statute. The State has consistently made all statutorily required contributions to the State Division Plan. Nevertheless, at December 31, 2014, the PERA 2014 CAFR reports that the State Division Plan had an unfunded actuarial accrued liability of approximately $9.9 billion and a funded ratio of only 57.8%. This UAAL would amortize over a 45-year period based on contribution rates as of the date of calculation and scheduled future increases in employer contributions, as well as an investment rate of return on Plan assets and discount rate on actuarially accrued liabilities of 7.5%.

The actuarial value of assets for the State Division Plan uses an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in the assets of the State Division Plan as a result of economic and market conditions is not reflected in the aforementioned funded ratio. Based on the market value of assets of the State Division Plan, at December 31, 2014, the Plan had an unfunded accrued liability of approximately $9.5 billion and a funded ratio of 59.6%.

The funding status of the State Division Plan summarized above reflect 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 D – STATE PENSION SYSTEM" for further information regarding the State Division Plan.

The Health Care Trust Fund. The State also currently offers other post-employment health and life insurance benefits to its employees. The post-employment health insurance to State employees is provided through PERA's Health Care Trust Fund, in which members from all divisions of PERA are eligible to participate. The Health Care Trust Fund is a cost-sharing, multiple employer plan under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The Health Care Trust Fund is funded by a statutory allocation of moneys consisting of portions of, among other things, the employer statutorily required contributions, the amount paid by members and the amount of any reduction in the employer contribution rates to amortize any overfunding in each Division's trust fund. At December 31, 2014, the Health Care Trust Fund had an unfunded actuarial accrued liability of approximately $1.2 billion, a funded ratio of 19.4% and a 35-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 2014 CAFR for additional information regarding the Health Care Trust Fund.

Future Changes in Pension Accounting Standards Applicable to the State – GASB 68. GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), which is related to GASB 67 but is applicable to the State, is effective for fiscal years beginning after June 15, 2014, and will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. GASB 68 revises and establishes new financial reporting requirements for most governments, such as the State, that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had an unfunded actuarial accrued liability of approximately $9.7 billion as of December 31, 2013, and approximately $9.9 billion as of December 31, 2014. However, at June 30, 2014, the State was unable to estimate the magnitude of its share of the unfunded pension liability. See the introduction to Notes 1-7 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement and "APPENDIX D – STATE PENSION SYSTEM."

***Effect of Pension Liability on the Series 2015 Certificates*. The State's current pension liability or any increase in such liability, and any actions taken by the General Assembly to address such liability, could impact the State's determination to renew the Lease in the future, and therefore could potentially have a material adverse effect on the payment of the Series 2015 Certificates.** It is not possible to predict, and no representations are made herein regarding, how the State's pension liability will change in the future or what actions, if any, might be taken by the General Assembly to address either the State's current or future pension liability. See generally "APPENDIX D – STATE PENSION SYSTEM" and Management's Discussion and Analysis in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, and particularly the section thereof captioned "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

LITIGATION, GOVERNMENTAL IMMUNITY AND SELF-INSURANCE

No Litigation Affecting the Series 2015 Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the execution or delivery of the Series 2015 Certificates or questioning or affecting the validity of the Series 2015 Certificates or the proceedings or authority under which they are to be executed and delivered. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the State Treasurer to enter into the Lease or the Sublease in the manner provided in the Enabling Legislation.

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; and for incidents occurring on and after July 1, 2013, 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. These limits are subject to adjustment on January 1, 2018, and every four years thereafter based on the percentage change in the Consumer Price Index. In individual cases the General Assembly may authorize the recovery from the State of amounts in excess of these limits by legislative action initiated either directly by the General Assembly or upon recommendation of the State Claims Board. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or 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 6H, 21 and 44 in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, as well as General Fund Components in the Supplementary Information in such document. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

For a description of pending material litigation in which the State is a defendant, see Note 44 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement. The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in Note 44 to the State's Fiscal Year 2013-14 CAFR, but the ultimate outcome cannot presently be determined. Except as provided in such Notes, no provision has been made in the financial statements related to the actions discussed in such Notes.

The National Federation of Independent Businesses recently brought a lawsuit against the Colorado Secretary of State asserting that their use of business and licensing fees violates TABOR. Such fees are deposited into the Secretary of State's cash fund, which is part of the State's General Fund. The TABOR Foundation recently brought a lawsuit against the Colorado Department of Health Care Policy and Financing asserting the imposition of a hospital fee violates TABOR. The State intends to vigorously defend both lawsuits.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of McGraw-Hill Financial, Inc. ("S&P"), have assigned to the Series 2015 Certificates the ratings set forth on the cover page of this Official Statement. No other ratings have been applied for.

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2015 Certificates, the State and its financial condition and operations, 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 2015 Certificates. The State has not undertaken any responsibility to oppose any such revision, suspension or withdrawal.

CONTINUING DISCLOSURE

Series 2015 Certificates

In connection with the execution and delivery of the Series 2015 Certificates, the State will enter into a Continuing Disclosure Undertaking, the form of which is appended to this Official Statement, pursuant to which the State will agree for the benefit of the Owners and Beneficial Owners of the Series 2015 Certificates to file on the EMMA website (i) 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, 2016, and (ii) notices of the occurrence of enumerated events within ten business days of their occurrence. See "APPENDIX I – FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The obligations of the State pursuant to the Continuing Disclosure Undertaking are for the benefit of the Owners and Beneficial Owners of the Series 2015 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'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 such defaults will be available to the Owners or Beneficial Owners of the Series 2015 Certificates in the event of a breach of the Continuing Disclosure Undertaking.

Compliance With Other Continuing Disclosure Undertakings

The State Treasurer has determined that both prior to and during the previous five years the State Treasurer and certain other State departments or agencies have not complied in all material respects with other continuing disclosure undertakings entered into by such entities pursuant to Rule 15c2-12 in connection with municipal securities issued by or for the benefit of such entities by failing to file, or to file on a timely basis, on the EMMA website and its predecessor repositories, certain annual financial information, audited financial statements and/or notices of material events as required by those continuing disclosure undertakings. For example, from January 2011 to May 2011, the State Treasurer failed to file with the MSRB monthly cash flow schedules for the State's General Fund Tax and Revenue Anticipation Notes, Series 2010A, which were issued on December 14, 2010, and paid in full at maturity. Although such filings were not required by Rule 15c2-12, the authorizing resolution for such notes included an affirmative covenant by the State Treasurer to do so. In addition, CDOT failed to file annual financial information and audited financial statements in respect of its outstanding obligations for Fiscal Years 2008-09 through 2012-13, and the State failed to file notices of bond insurer rating downgrades relating to certain outstanding obligations over the last five years, although such bond insurer downgrades did not affect the underlying rating of the State, and failed to file notices of an upgrade in the State's rating by Moody's from "Aa3" to "Aa2" as a result of a global recalibration of ratings by Moody's in May 2010. The State failed to timely file annual financial information and audited financial statements for certain obligations from Fiscal Years 2009-10 through 2011-12, and failed to file on EMMA notices of such failures. Corrective actions have been taken with regard to these matters as discussed below.

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 such the Included Entities. Consistent with this authorization, the responsibility for compliance with the continuing disclosure undertakings entered into by the Included Entities has been centralized with the State Treasurer, which is intended to ensure future compliance with such continuing disclosure undertakings.

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

In addition, consistent with its statutory authorization and as a result of the circumstances described above, the State Treasurer's office commenced, and is continuing to carry out, a comprehensive review of compliance by the State with the continuing disclosure undertakings entered into by the Included Entities for the purpose of determining whether there are other instances of material noncompliance with such continuing disclosure undertakings. Instances of material noncompliance discovered by the State Treasurer's office to date have been addressed by making appropriate corrective filings or taking other remedial actions, either directly or by DAC Bond.

The State currently expects that its Fiscal Year 2014-15 CAFR will not be completed by December 31, 2015, due to various issues that have been experienced with the implementation of a new integrated financial system. See "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting."

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: Heidi Dineen, Esq., Senior Assistant Attorney General, telephone number: (720) 508-6179.

LEGAL MATTERS

All legal matters incident to the validity and enforceability of the Series 2015 Certificates, as well as the treatment of interest on the Series 2015 Certificates for purposes of federal and State income taxation, are subject to the approving legal opinion of Dinsmore & Shohl LLP, Denver, Colorado, as Special Counsel. The substantially final form of the opinion of Special Counsel is appended to this Official Statement. Dinsmore & Shohl LLP also has served as disclosure 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. Payment of legal fees to Dinsmore & Shohl LLP is contingent upon the sale and delivery of the Series 2015 Certificates.

TAX MATTERS

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series 2015 Certificates for the investors described below and is based, in part, on the advice of Dinsmore & Shohl LLP, as Special Counsel. This summary is based upon laws, regulations, rulings and judicial decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including, but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors. In addition, this summary is generally limited to investors who will hold the Series 2015 Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Federal Tax Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Series 2015 Certificates.

The form of opinion expected to be delivered by Special Counsel is set forth in "APPENDIX I – FORM OF OPINION OF SPECIAL COUNSEL."

General

In the opinion of Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming continued compliance by the State with certain covenants designed to meet the requirements of Section 103 of the Federal Tax Code, the interest portion of the Base Rentals to be paid with respect to the Series 2015 Certificates (referred to in this section as the interest on the Series 2015 Certificates) is excludable from gross income for federal income tax purposes and is not a specific item of tax preference under Section 57 of the Federal Tax Code for purposes of the federal individual or corporate alternative minimum taxes. Furthermore, Special Counsel is of the opinion that under existing law and to the extent that the interest on the Series 2015 Certificates is excludable from gross income for federal income tax purposes, such interest is not subject to income taxation by the State of Colorado.

The Federal Tax Code imposes various restrictions, conditions and requirements relating to the qualification of the Lease, which underlies the Series 2015 Certificates, as a so-called "tax-exempt bond" with respect to the interest on the Series 2015 Certificates, and to the excludability from gross income for federal income tax purposes of interest on obligations such as the Series 2015 Certificates. The State has covenanted in the Lease to comply with certain restrictions designed to ensure that the interest on the Series 2015 Certificates will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Lease not qualifying as a tax-exempt bond, and thus the interest on the Series 2015 Certificates being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of execution and delivery of the Series 2015 Certificates (*i.e.*, the Closing Date). The opinion of Special Counsel assumes compliance with these covenants. However, Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Series 2015 Certificates may adversely affect either the federal or the State tax status of the interest on the Series 2015 Certificates.

Certain requirements and procedures contained or referred to in the Lease, the Indenture, the Tax Certificate and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Series 2015 Certificates) may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Special Counsel expresses no opinion as to the status of the Lease or of the interest on the Series 2015 Certificates if any such change occurs or action is taken or omitted upon the advice or approval of bond or special counsel other than Dinsmore & Shohl LLP.

Although Special Counsel is of the opinion that the interest on the Series 2015 Certificates will be excludable from gross income for federal income tax purposes and that such interest will be exempt from income taxation by the State of Colorado, as described above, the ownership or disposition of the Series 2015 Certificates, or the accrual or receipt of the interest on the Series 2015 Certificates, may otherwise affect an owner's federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the owner or the owner's other items of income or deduction. Special Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each owner of the Series 2015 Certificates or potential owner is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Series 2015 Certificates on the tax liabilities of the individual or entity. For example, although Special Counsel is of the opinion that the interest on the Series 2015 Certificates will not be a specific item of tax preference for purposes of the federal alternative minimum tax, corporations are required to include such interest in "adjusted current earnings" under Section 56(c) of the Federal Tax Code, which may increase the amount of any alternative minimum tax owed by such corporation.

Receipt of tax-exempt interest and/or ownership or disposition of the Series 2015 Certificates may result in other collateral federal, state or local tax consequence for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Federal Tax Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Federal Tax Code, increasing the federal tax liability and affecting the status of certain S corporations subject to Sections 1362 and 1375 of the Federal Tax Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Federal Tax Code, limiting the amount of the Earned Income Credit under Section 32 of the Federal Tax Code that might otherwise be available and limiting the amount of the refundable credit for coverage under a qualified health plan under Section 36B of the Federal Tax Code that might otherwise be available. Ownership of any of the Series 2015 Certificates may also result in the limitation of interest and certain other deductions for financial institutions and other taxpayers pursuant to Section 265 of the Federal Tax Code. Finally, residence of the owner of the Series 2015 Certificates in a state other than Colorado, or being subject to tax in a state other than Colorado, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2015 Certificates.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of an obligation over the stated redemption price of such obligation at maturity or, for obligations that have one or more earlier call dates, generally the amount payable at the next earliest call date. Any Series 2015 Certificates that are being offered and sold at a price of more than 100% ("Premium Certificates") are being initially offered and sold to the public with Acquisition Premium.

For federal income tax purposes, the amount of Acquisition Premium on the Premium Certificates must be amortized and will reduce the owner's adjusted basis in that Premium Certificate. The amount of any Acquisition Premium paid on the Premium Certificates that must be amortized during any period will be based on the "constant yield" method, using the original owner's basis in such Premium Certificates and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis. However, no amount of amortized Acquisition Premium on the Premium Certificates may be deducted in determining an owner's taxable income for federal income tax purposes. For Premium Certificates that are not callable prior to their stated maturity date, the maturity date will determine the amortization period.

Owners of any Premium Certificates, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own federal income tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

Original Issue Discount

Original issue discount, or "OID," is the excess of the stated redemption price of an obligation at maturity over the "issue price" of such obligation. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of obligations of the same maturity are sold pursuant to that initial offering.

Any Series 2015 Certificates that are being offered and sold at less than 100% are being initially offered and sold to the public with OID ("Discount Certificates"). The difference between the principal amount and the issue price will be treated as OID for federal income tax purposes. Such OID will accrue to the owner of a Discount Certificate over the period to maturity based on the "constant yield" method, compounded semiannually. The portion of OID that accrues during the time a U.S. owner owns a Discount Certificate is added to the U.S. owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of such Discount Certificate. In practical effect, accrued OID is treated in the same way as stated interest is treated; that is, as excludable from gross income for federal income tax purposes.

In addition, OID that accrues in each year to an owner of a Discount Certificate is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Certificates should be aware that the accrual of OID in each year may result in collateral federal income tax consequences although the owners of such Discount Certificates have not received cash attributable to such OID in such year.

Owners of Discount Certificates should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Certificates other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Backup Withholding

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to the interest paid with respect to the Series 2015 Certificates if the purchasers, upon issuance, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Federal Tax Code) properly or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service and to each purchaser setting forth the amount of interest paid in respect of the Series 2015 Certificates and the amount of tax withheld thereon.

Other State, Local or Foreign Taxation

Other than the description of the treatment of the interest on the Series 2015 Certificates for purposes of Colorado income taxation, no representations are made regarding the tax consequences of purchase, ownership or disposition of the Series 2015 Certificates under the tax laws of any other state, locality or foreign jurisdiction. Prospective investors should consult their own tax advisors regarding such tax consequences.

Changes in Federal and State Tax Law

From time to time legislative proposals are made in Congress and in the states, federal and state regulatory actions are announced or proposed and litigation is threatened or commenced that if enacted, implemented or resolved in a certain manner could alter or otherwise affect the federal or state tax matters discussed above or adversely affect the market value of the Series 2015 Certificates. It cannot be predicted how any future legislation, regulations or judicial decisions might affect the federal or state tax matters discussed above or the market value of the Series 2015 Certificates.

Purchasers of the Series 2015 Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of execution and delivery of the Series 2015 Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

UNDERWRITING

The Series 2015 Certificates are being underwritten by Stifel, Nicolaus & Company, Incorporated, Denver, Colorado. Pursuant to a Certificate Purchase Agreement entered into by and among the Trustee, the State and the Underwriter, the Underwriter has agreed to purchase the Series 2015 Certificates at an aggregate purchase price of $10,440,530.57 (constituting the aggregate principal amount of the Series 2015 Certificates plus a net original issue premium on the sale of the Series 2015 Certificates of $566,499.35 and less an underwriting discount of $40,968.78). The Underwriter agrees in the Certificate Purchase Agreement to accept delivery of and pay for all of the Series 2015 Certificates if any are delivered. The obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement, the approval of certain matters by counsel and certain other conditions.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The State acknowledges and agrees that: (i) the primary role of the Underwriter is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Trustee and the Underwriter and that the Underwriter has financial and other interests that differ from those of the State; (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the State and has not assumed any advisory or fiduciary responsibility to the State with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the State on other matters); (iii) the only obligations the Underwriter has to the State or the Trustee with respect to the transaction contemplated hereby expressly are set forth in the Certificate Purchase Agreement; and (iv) the State has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The State further acknowledges that it has had the opportunity to engage a municipal advisor to serve in that capacity and to undertake legal fiduciary duties to the State in that role.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, a variety of these services to the State and to persons and entities with relationships with the State for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

First Southwest Company, LLC, or "FirstSouthwest," Denver, Colorado, is acting as Financial Advisor to the State in connection with this financing, and in such capacity has assisted in the preparation of this Official Statement and other matters relating to the planning, structuring, rating and execution and delivery of the Series 2015 Certificates. However, the Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Series 2015 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2015 Certificates is contingent upon the delivery of the Series 2015 Certificates.

MISCELLANEOUS

The cover page, inside front cover page, preliminary notices 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 2015 Certificates, copies of the documents referred to herein may be obtained from the Financial Advisor or the Underwriter as provided in "INTRODUCTION – Additional Information." So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

By: /s/ Jonathan Forbes
Deputy State Treasurer

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APPENDIX A

FORMS OF THE INDENTURE, THE SITE LEASE, THE LEASE AND THE SUBLEASE

(Page numbers reflect the pagination of the individual documents)

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After recording please return to:

Dinsmore & Shohl LLP
1801 Broadway, Suite 1700
Denver, CO 80202
Attn: Donald R. Bieber, Esq.

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
INDENTURE OF TRUST

By

UMB BANK, n.a.,
as Trustee

Relating to

State of Colorado
Bureau of Investigation
Grand Junction Regional Facility Lease Purchase Agreement
Certificates of Participation, Series 2015

Dated as of September 29, 2015

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MISCELLANEOUS

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
INDENTURE OF TRUST

THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY INDENTURE OF TRUST, dated as of September 29, 2015 (this "Indenture"), is executed and delivered by UMB BANK, n.a., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), for the benefit of the Owners of the Certificates as set forth in this Indenture.

PREFACE

All capitalized terms used herein will have the meanings ascribed to them in Exhibit A to this Indenture.

RECITALS

A. This Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, which evidence proportionate interests in the right to receive the Base Rentals under the Lease and other Revenues.

B. Pursuant to the Lease, and subject to the rights of the State to not appropriate the Base Rentals and Additional Rentals thereunder, and therefore not renew and thereby terminate the Lease, and other limitations as therein provided, the State is to pay certain Base Rentals directly to the Trustee, for the benefit of the Owners of the Certificates, in consideration of the State's right to possess and use the Leased Property.

C. The Trustee has entered into this Indenture for and on behalf of the Owners of the Certificates, and the Trustee will hold the Revenues and the Leased Property and will exercise its rights under the Site Lease and the Lease for the equal and proportionate benefit of the Owners of the Certificates as described herein, and will disburse money received in accordance with this Indenture.

D. The proceeds from the sale of the Series 2015 Certificates will be disbursed by the Trustee as described herein to refinance the existing lease of the Leased Property by the State of Colorado, acting by and through the Department of Public Safety, and to pay the Costs of Execution and Delivery of the Series 2015 Certificates as described in the Lease, defined herein as the "Refinancing Project."

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that 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 is 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 this 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 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 (collectively, the "Trust Estate"):

(a) all rights, title and interest of the Trustee in, to and under the Site Lease and the Lease relating to the Leased Property, subject to Permitted Encumbrances (other than the Trustee's rights to payment of its fees and expenses under the Site Lease and the Lease and the rights of third parties to Additional Rentals payable to them under the Lease);

(b) all Revenues and any other receipts receivable by or on behalf of the Trustee pursuant to the Lease, including, without limitation, all Base Rentals, the Lease Purchase Option Price and Net Proceeds;

(c) all Additional Rentals that are payable to the Trustee for the benefit of the Owners; and

(d) all money and securities from time to time held by the Trustee under this Indenture in the Base Rentals Fund and the Costs of Execution and Delivery Fund (but not the Rebate Fund or any defeasance escrow fund or account established pursuant to Section 6.01 hereof), 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;

TO HOLD IN TRUST, NEVERTHELESS, the Trust Estate for the equal and ratable benefit and security of all Owners of the Certificates, without preference, priority or distinction as to lien or otherwise of any one Certificate over any other Certificate upon the terms and subject to the conditions hereinafter set forth;

PROVIDED, HOWEVER, that if the principal of the Certificates, the premium, if any, and the interest due or to become due thereon shall be paid at the times and in the manner provided in the Certificates according to the true intent and meaning thereof, and if there are paid to the Trustee all sums of money due or to become due to the Trustee in accordance with the terms and provisions hereof, then, upon such final payments, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture shall be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared, that all Certificates are to be executed and delivered and all said property, rights, interests, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Trustee has agreed and covenanted, and does hereby agree and covenant, for the benefit of the Owners, as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Certain Funds. All references herein to any Funds shall mean the Funds so designated which are established pursuant to Article III hereof.

Section 1.02. Definitions. All capitalized terms used in this Indenture shall have the meanings ascribed to them in Exhibit A hereto unless the context otherwise requires.

ARTICLE II
THE CERTIFICATES

Section 2.01. Amount of the Certificates; Nature of the Certificates. Except as provided in Section 2.10 hereof, the aggregate principal amount of Certificates that may be executed and delivered pursuant to this Indenture shall be $11,000,000.

The Certificates shall constitute proportionate interests in the Trustee's right to receive the Base Rentals under the Lease and other Revenues. 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 the Lease be construed to constitute an action impairing such contract.

The Certificates shall not constitute a mandatory charge or requirement of the State in any Fiscal Year beyond a Fiscal Year in which the Lease shall be in effect, and shall not constitute or give rise to a general obligation or other indebtedness of the State or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State, within the meaning of any constitutional or statutory debt provision or limitation. No provision of the Certificates, this Indenture, the Lease, the Sublease, the Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Base Rentals and Additional Rentals 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 of the Colorado Constitution, Section 20 of Article X of the Colorado Constitution, or any other limitation or provision of the Colorado 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 Colorado 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 Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the State to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the State's then current Fiscal Year.

Section 2.02. Provisions of the Series 2015 Certificates. The Trustee shall execute and deliver the Series 2015 Certificates in substantially the form attached hereto as Exhibit B, with such changes thereto, not inconsistent herewith, as may be necessary or desirable and approved by the State. All provisions and terms of the Series 2015 Certificates set forth therein are incorporated in this Indenture.

The Series 2015 Certificates shall be executed and delivered in fully registered form in the aggregate principal amount of $9,915,000 and in Authorized Denominations not exceeding the aggregate principal amount stated to mature on any given date; provided, however, that so long as the Series 2015 Certificates are held by a Depository, one Series 2015 Certificate shall be executed and delivered for each maturity of the Series 2015 Certificates and registered in the name of the Depository or its nominee as provided in Section 2.06 hereof. No single Series 2015 Certificate may evidence more than one maturity and interest rate. The Series 2015 Certificates shall be numbered consecutively in such manner as the Trustee shall determine.

The Series 2015 Certificates shall be dated the Series 2015 Certificates Closing Date and shall mature on the dates and in the principal amounts set forth in the following table. The Series 2015 Certificates shall be subject to redemption prior to maturity as provided in Article IV hereof.

The Series 2015 Certificates shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months) set forth in the following table. Such interest shall accrue from the Series 2015 Certificates Closing Date to their respective maturity or prior redemption dates and shall be payable on each Interest Payment Date; provided, however, that Series 2015 Certificates which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the Series 2015 Certificates Closing Date:

Maturity (March 15)	**Principal Amount Maturing**	**Interest Rate Per Annum**
2016	$300,000	2.000%
2017	420,000	2.000
2018	430,000	3.000
2019	440,000	4.000
2020	460,000	2.000
2021	470,000	2.500
2022	485,000	5.000
2023	500,000	5.000
2024	530,000	5.000
2025	555,000	3.000
2026	570,000	5.000
2027	600,000	5.000
2028	630,000	4.000
2029	655,000	4.000
2030	685,000	3.250
2031	705,000	3.375
2032	725,000	3.500
2033	755,000	3.625

DTC shall act as Depository for the Series 2015 Certificates as provided in Section 2.06 hereof.

Section 2.03. Delivery of the Series 2015 Certificates. On the Series 2015 Certificates Closing Date, the Trustee shall execute and deliver the Series 2015 Certificates to the Underwriter as provided in this Section.

Before or upon the delivery by the Trustee of any of the Series 2015 Certificates, there shall be furnished to the Trustee (i) originally executed counterparts of the Site Lease, the Lease, the Sublease and the Continuing Disclosure Undertaking, (ii) a title insurance commitment (with a title insurance policy to be delivered in a timely fashion after the delivery of the Series 2015 Certificates) under which the Trustee's leasehold interest in the Leased Property is insured, and (iii) a written opinion of Special Counsel as to the validity and tax-exempt status of the interest on the Series 2015 Certificates.

The Trustee shall execute and deliver the Series 2015 Certificates to DTC or its agent, for the account of the Underwriter, upon payment to the Trustee of a sum equal to the aggregate principal amount of the Series 2015 Certificates plus any applicable premium or less any applicable discount, which the Trustee shall apply in accordance with Section 3.01 hereof.

Section 2.04. Payment of Certificates. Payments of principal, premium, if any, and interest in respect of the Certificates shall be made in lawful money of the United States of America.

The principal of and premium, if any, and interest on each Certificate shall be payable to the Owner thereof at the address of such Owner last appearing on the registration books for the Certificates maintained by the Trustee, and shall be payable by wire transfer of funds to a bank account located in the United States designated by the Certificate Owner in written instructions to the Trustee; provided, however, that the final installment of the principal, or the redemption price, of the Certificates shall be payable by the Trustee at the principal corporate trust office of the Trustee, or at such other location as it shall designate, upon presentation and surrender of the Certificates.

Interest shall be paid to the Owner of each Certificate, as shown on the registration books kept by the Trustee, as of the close of business on the Regular Record Date, irrespective of any transfer of ownership of Certificates subsequent to the Regular Record Date and prior to such Interest Payment Date, or in the case of the payment of defaulted interest, to the Owner of each Certificate on a special record date, which shall be fixed by the Trustee for such purpose, irrespective of any transfer of ownership of Certificates subsequent to such special record date and prior to the date fixed by the Trustee for the payment of such defaulted interest. Notice of the special record date and of the date fixed for the payment of such defaulted interest shall be given by Electronic Means or by providing a copy thereof by first-class mail, postage prepaid at least 10 days prior to the special record date, to the Owner of each Certificate upon which interest will be paid, determined as of the close of business on the day preceding the giving of such notice.

Notwithstanding the foregoing, so long as any Certificates are held by DTC as Depository, payments of principal, premium, if any, and interest in respect of the Certificates shall be made in accordance with the rules and operating procedures applicable to the DTC book-entry system and in accordance with the Letter of Representations pursuant to which DTC agrees to serve as Depository for the Certificates.

Section 2.05. Execution of Certificates. Each Certificate shall be executed with the manual signature of a duly authorized representative of the Trustee. It shall not be necessary that the same authorized representative of the Trustee sign all of the Certificates executed and delivered hereunder. In case any authorized representative of the Trustee whose signature appears on the Certificates ceases to be such representative before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such authorized representative had remained as such authorized representative until delivery.

No Certificate shall be valid or obligatory for any purpose or entitled to any security or benefit hereunder unless and until executed in the manner prescribed by this Section, and such execution of any Certificate shall be conclusive evidence that such Certificate has been properly executed and delivered hereunder. No person other than an Owner, as shown on the registration books kept by the Trustee, shall receive a Certificate.

Section 2.06. Global Book-Entry System. DTC may act as Depository for any series of Certificates, and initially shall act as Depository for the Series 2015 Certificates.

As to any Certificates for which DTC acts as Depository, one fully registered Certificate shall be executed and delivered for each maturity and interest rate of such Certificates. The ownership of such Certificates shall be registered in the registration books for the Certificates in the name of Cede & Co., as nominee of DTC, or in the name of such other nominee as DTC shall appoint in writing. Certificates for which DTC acts as Depository shall be immobilized and held in the custody of DTC or its agent.

The Trustee shall to take any and all actions as may be necessary and not inconsistent with this Indenture in order to qualify any Certificates for the Depository's book-entry system, including the execution of the Depository's form of Letter of Representations.

With respect to any Certificates for which DTC serves as Depository, the Trustee shall have no responsibility or obligation to any DTC Participants or to any Beneficial Owners. Without limiting the immediately preceding sentence, the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (b) the delivery to any DTC Participant, any Beneficial Owner (except as provided hereafter) or any other person, other than DTC or its nominee, of any notice with respect to the Certificates, including any notice of redemption, or (c) the payment to any DTC Participant, any Beneficial Owner or any other person, other than DTC or its nominee, of any amount with respect to the principal of, premium, if any, or interest in respect of the Certificates. Notwithstanding the foregoing, the Trustee shall provide copies of all notices relating to the Certificates to any Beneficial Owner of $1,000,000 or more in aggregate principal amount of Certificates who files with the Trustee a written request to receive notices relating to such Certificates, together with such Beneficial Owner's name and address.

Except as otherwise provided above, the Trustee may treat as and deem DTC or its nominee to be the absolute Owner of each Certificate for which DTC acts as Depository for all purposes, including payment of the principal, premium, if any, and interest in respect of such Certificates, giving notices of redemption and registering transfers with respect to such Certificates.

Upon delivery by DTC to the Beneficial Owners and the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.08 hereof, references to "Cede & Co." in this Section shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to any Certificates at any time after giving written notice to the Trustee and discharging its responsibilities with respect thereto under applicable law. The services of DTC with respect to any Certificates also may be terminated by the Trustee, upon the written direction of the State, if the State determines that DTC is no longer able to act, or is no longer satisfactorily performing its duties, as Depository with respect to such Certificates, or that continuation of the system of book-entry transfers through DTC is not in the best interests of the Beneficial Owners, and the Trustee shall provide notice of such termination to the Trustee.

Upon the termination of the services of DTC as provided in the previous paragraph, the State may designate a substitute Depository for DTC, whereupon, subject to the provisions of Section 2.08 hereof, the Trustee shall re-register and deliver new Certificates as directed by such substitute Depository. If no substitute Depository willing to undertake the functions of DTC in respect of the Certificates can be found which, in the opinion of the State, is willing and able to undertake such functions upon reasonable or customary terms, or if the State determines that it is in the best interests of the Beneficial Owners that they receive physical Certificates, subject to the provisions of Section 2.08 hereof, the Trustee shall re-register the Certificates in the names of the Beneficial Owners of the Certificates provided to it by DTC and deliver new Certificates to the Beneficial Owners. The Trustee shall have no liability to DTC, Cede & Co., any substitute Depository, any Person in whose name the Certificates are re-registered at the direction of any substitute Depository, any Beneficial Owner of the Certificates or any other Person for (a) any determination made by the State or the Trustee pursuant to this paragraph 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 Depository or any Person in whose name the Certificates are re-registered.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Certificates. In the event the Certificates are in the hands of Owners and one or more of the Certificates is mutilated, lost, stolen or destroyed, a new Certificate shall be executed by the Trustee, of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received indemnity from the Owner of the Certificate satisfactory to it; and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Certificate, that there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee. In the event that any such Certificate shall have matured, instead of executing and delivering 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.

Section 2.08. Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates. Books for the registration and for the transfer of Certificates shall be kept by the Trustee as registrar for the Certificates. The person in whose name any Certificate is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of principal, premium, if any, and interest in respect of any Certificate shall be made only to or upon the written order of the Owner thereof or such Owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

Certificates may be transferred at the principal corporate trust office of the Trustee or at such other location as it shall designate. Upon surrender for transfer of any Certificate, the Trustee shall execute and deliver in the name of the transferee or transferees one or more new Certificates of a like aggregate principal amount, maturity and interest rate as the Certificate being transferred.

Certificates also may be exchanged at the principal corporate trust office of the Trustee or at such other location as it shall designate for an equal aggregate principal amount of Certificates of the same maturity and interest rate of other Authorized Denominations. Upon surrender for exchange of any Certificate, the Trustee shall execute and deliver to the Owner new Certificates having a like aggregate principal amount, maturity and interest rate as the Certificate being exchanged and bearing numbers not contemporaneously outstanding.

All Certificates presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his or her attorney duly authorized in writing.

The Trustee shall not be required to transfer or exchange any Certificate during the period between the Regular Record Date next preceding any Interest Payment Date and such Interest Payment Date, nor to transfer or exchange any Certificate after the mailing of notice calling such Certificate for redemption has been made as herein provided, nor during the period of 15 days next preceding the mailing of such notice of redemption.

New Certificates delivered upon any transfer or exchange shall evidence the same obligations as the Certificates surrendered, shall be secured by this Indenture and entitled to all of the security and benefits hereof to the same extent as the Certificates surrendered.

The Trustee shall require the payment, by any Owner requesting transfer or exchange of Certificates, of any reasonable transfer fees, tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

The foregoing provisions of this Section 2.08 are subject to the provisions of the last paragraph of Section 2.06 hereof.

Section 2.09. Cancellation of Certificates. Whenever any Outstanding Certificates shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.07 or 2.08 hereof, such Certificates shall be promptly canceled and destroyed by the Trustee, and counterparts of a certificate of destruction evidencing such destruction shall be held by the Trustee in its files relating to this Indenture.

Section 2.10. Additional Certificates. So long as no Indenture Event of Default, Lease Event of Default, or Lease Event of Nonappropriation has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth herein. The principal of Additional Certificates shall mature on March 15 and the interest payment dates therefor shall be the same as the Interest Payment Dates for the Series 2015 Certificates. Otherwise, the times and amounts of payment, and prior redemption provisions, of Additional Certificates shall be as provided in the supplemental Indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered, without the consent of or notice to the Owners of Outstanding Certificates, solely to provide moneys to fund either or both of the following:

(a) the costs of making, at any time and from time to time, such substitutions, additions, modifications and improvements to the Leased Property as the State may deem necessary or desirable, and in accordance with the provisions of the Lease; or

(b) refunding or refinancing of all or any portion of Outstanding Certificates.

In each such case, the Costs of Execution and Delivery of the Additional Certificates and other costs reasonably related to the purposes for which the Additional Certificates are being executed and delivered may be included.

Additional Certificates may be executed and delivered only upon there being furnished to the Trustee:

(a) originally executed counterparts of a supplemental Indenture and related and necessary amendments to the Site Lease and the Lease and, if necessary, the Sublease, including amendments to the Base Rentals payment schedules;

(b) a commitment or other evidence that the amount of the title insurance policy delivered in respect of the Certificates will be increased, if necessary, to reflect the amount of the Additional Certificates and all other Outstanding Certificates, or such lesser amount as shall be the maximum insurable value of the real property included in the Leased Property;

(c) a written opinion of Special Counsel to the effect that:

(i) the execution and delivery of Additional Certificates has been duly authorized and that all conditions precedent to the delivery thereof have been fulfilled;

(ii) the excludability of interest from gross income for federal income tax purposes on Outstanding Certificates will not be adversely affected by the execution and delivery of the Additional Certificates being executed and delivered; and

(iii) the sale, execution and delivery of the Additional Certificates, in and of themselves, will not constitute an Indenture Event of Default or a Lease Event of Default nor cause any violation of the covenants or representations herein or in the Lease;

(d) the documents required by Section 8.05 or 8.06 of the Lease, if applicable; and

(e) written directions from the underwriter, placement agent, purchaser or purchasers in respect of the Additional Certificates, together with written acknowledgment of the State, to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified purchase price.

Each Additional Certificate executed and delivered pursuant to this Section shall evidence a proportionate interest in the rights to receive the Revenues under this Indenture and shall be ratably secured with all other Outstanding Certificates and in respect of all Revenues, and shall be ranked *pari passu* with such Outstanding Certificates and with any subsequent series of Additional Certificates.

Section 2.11. Uniform Commercial Code. Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owner or Owners thereof shall possess all rights enjoyed by the holders or owners of investment securities 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, setoffs or cross-claims between or among the State, the Trustee and the original or any intermediate Owner of any Certificates.

ARTICLE III
REVENUES AND FUNDS

Section 3.01. Disposition of Proceeds of the Series 2015 Certificates. The net proceeds of the sale of the Series 2015 Certificates, after deduction of the underwriting discount, shall be applied on the Series 2015 Certificates Closing Date as follows:

(a) an amount equal to the purchase option price specified in the 2006 Lease shall be remitted to UMB Bank, n.a., as trustee under the 2006 Indenture, and applied to effect the termination of the 2006 Lease and the conveyance of the Leased Property to the Department of Safety pursuant to Article 13 of the 2006 Lease; and

(b) the balance of the net proceeds shall be deposited in the Series 2015 Certificates Account of the Costs of Execution and Delivery Fund and applied to the payment of the Costs of Execution and Delivery of the Series 2015 Certificates as provided in Section 3.05 hereof.

Section 3.02. Application of Revenues and Other Moneys.

(a) All Base Rentals payable under the Lease and other Revenues shall be paid directly to the Trustee. If the Trustee receives any other payments on account of the Lease, the Trustee shall immediately deposit the same as provided below.

(b) Except for Net Proceeds to be applied pursuant to Section 8.07 of the Lease, the Trustee shall deposit all Revenues and any other payments received in respect of the Lease, immediately upon receipt thereof, to the Base Rentals Fund in an amount required to cause the aggregate amount on deposit therein to equal the amount then required to make the principal and interest payments due on the Certificates on the next Interest Payment Date.

(c) In the event that the Trustee receives the Purchase Option Price under the Lease, the Trustee shall apply such amount to the optional redemption of the Certificates in accordance with Section 4.01 hereof.

Section 3.03. Base Rentals Fund. A special fund is hereby created and established with the Trustee designated the "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Base Rentals Fund" (the "Base Rentals Fund") which shall be used for the deposit of all Revenues, upon receipt thereof by the Trustee, except for Net Proceeds to be applied pursuant to Section 8.07 of the Lease. Moneys in the Base Rentals Fund shall be used solely for the payment of the principal of and interest on the Certificates whether on an Interest Payment Date, at maturity or upon prior redemption, except as provided in Section 3.04 hereof.

The Base Rentals Fund shall be in the custody of the Trustee. The Trustee shall withdraw sufficient funds from the Base Rentals Fund to pay the principal of and interest on the Certificates as the same become due and payable whether on an Interest Payment Date, at maturity or upon prior redemption, which responsibility, to the extent of the moneys therein, the Trustee hereby accepts.

Any moneys held in the Base Rentals Fund shall be invested by the Trustee in accordance with Article V hereof.

Section 3.04. Rebate Fund. A special fund is hereby created and established with the Trustee designated the "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Rebate Fund" (the "Rebate Fund"). A separate account shall be established in the Rebate Fund for each series of Certificates subject to rebate. To the extent necessary to comply with the provisions of the State's Tax Certificate and upon the written direction of the State, the Trustee shall deposit into the Rebate Fund investment income on moneys in any fund created hereunder (except defeasance escrows), otherwise such investment income shall remain a part of any such fund. In addition to the deposit of investment income as provided herein, there shall be deposited into the Rebate Fund moneys received from the State as Additional Rentals for rebate payments pursuant to the Lease; moneys transferred to the Rebate Fund from any other fund created hereunder pursuant to the provisions of this Section; and all other moneys received by the Trustee when accompanied by directions not inconsistent with the Lease or this Indenture that such moneys are to be paid into an account of the Rebate Fund. The State will cause (or direct the Trustee to cause) amounts on deposit in the appropriate account in the Rebate Fund to be forwarded to the United States Treasury at the address and times provided in the State's Tax Certificate, and in the amounts calculated to ensure that the State's rebate obligations are met, in accordance with the State's tax covenants in Section 10.04 of the Lease. Amounts on deposit in the Rebate Fund shall not be subject to the lien of this Indenture to the extent that such amounts are required to be paid to the United States Treasury.

If, at any time after the Trustee receives instructions by the State to make any payments from the Rebate Fund, the Trustee determines that the moneys on deposit in the Rebate Fund are insufficient for the purposes thereof, and if the Trustee does not receive Additional Rentals or cannot transfer investment income so as to make the amount on deposit in the Rebate Fund sufficient for its purpose, the Trustee shall, at the written direction of the State, transfer moneys to the Rebate Fund from the Base Rentals Fund. Any moneys so advanced from the Base Rentals Fund shall be included as an Additional Rental for the current Fiscal Year pursuant to the Lease, and shall be repaid to the Base Rentals Fund upon payment to the Trustee of such Additional Rentals. Upon receipt by the Trustee of an opinion of Special Counsel to the effect that the amount in the Rebate Fund is in excess of the amount required to be therein pursuant to the provisions of the State's Tax Certificate, such excess shall be transferred to the Base Rentals Fund.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report. The State may, at its own expense, retain an independent firm of professionals in such area to calculate such rebate amounts.

Notwithstanding the foregoing, in the event that the Lease has been terminated or the State has failed to comply with Section 10.04 thereof so as to make the amount on deposit in the Rebate Fund insufficient for its purpose, the Trustee shall make transfers of investment income or of moneys from the above described funds in such combination as the Trustee shall determine to be in the best interests of the Certificate Owners.

Section 3.05. Costs of Execution and Delivery Fund. A special fund is hereby created and established with the Trustee designated the "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Costs of Execution and Delivery Fund" (the "Costs of Execution and Delivery Fund"), and within such Fund an account designated the "Series 2015 Certificates Account." The Series 2015 Certificates Account shall be used for the purpose of paying the Costs of Execution and Delivery of the Series 2015 Certificates. Additional accounts shall be established within the Costs of Execution and Delivery Fund for the purpose of paying the Costs of Execution and Delivery of each series of Additional Certificates executed and delivered pursuant to Section 2.10 hereof.

Upon the delivery of the Series 2015 Certificates there shall be deposited into the Series 2015 Certificates Account of the Costs of Execution and Delivery Fund, from the proceeds of the Series 2015 Certificates, the amount specified in Section 3.01(b) hereof. So long as no Lease Event of Default or Lease Event of Nonappropriation shall have occurred, payments from the Series 2015 Certificates Account shall be made by the Trustee upon receipt of a statement or a bill for the provision of Costs of Execution and Delivery of the Series 2015 Certificates, accompanied by (i) a written requisition by the State Representative in the form set forth in Exhibit E hereto, and (ii) such other documents and certificates as the Trustee may reasonably request to evidence the proper expenditure of moneys from the Series 2015 Certificates Account. The Trustee may conclusively rely on requisitions submitted in accordance with this paragraph as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

So long as no Lease Event of Default or Lease Event of Nonappropriation shall have occurred and is continuing, the Trustee shall transfer all moneys, including all investment income, remaining in the Series 2015 Certificates Account to the Base Rentals Fund upon the earlier of (a) final payment of all Costs of Execution and Delivery of the Series 2015 Certificates, as directed in writing by the State Representative, or (b) 180 days after the Series 2015 Certificates Closing Date, whereupon the Series 2015 Certificates Account shall be terminated.

Section 3.06. Moneys to be Held in Trust. The ownership of the Base Rentals Fund, the Costs of Execution and Delivery Fund, any accounts within such Funds and, other than the Rebate Fund and any escrow accounts established pursuant to Section 6.01 hereof, any other fund or account created hereunder, shall be held in trust by the Trustee for the benefit of the Owners of the Certificates, provided that moneys in the Rebate Fund shall be used only for the specific purpose provided in Section 3.04 hereof and moneys in any such escrow accounts shall be used only as provided in Section 6.01 hereof.

Section 3.07. Nonpresentment of Certificates. Any moneys deposited with the Trustee pursuant to the terms of this Indenture to be used for the payment of principal of, premium, if any, or interest on any of the Certificates and remaining unclaimed by the Owners of such Certificates for a period of three years after the final due date of any Certificate, whether the final date of maturity or the final redemption date, shall, upon the written request of the State, and if the State shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in this Indenture, in the Certificates or under the Lease, be paid to the State and such Owners shall thereafter look only to the State for payment and then only (a) to the extent of the amounts so received by the State from the Trustee without interest thereon, (b) subject to the defense of any applicable statute of limitations, and (c) subject to the State's Appropriation of such payment. After payment by the Trustee of all of the foregoing, if any moneys are then remaining under this Indenture, the Trustee shall pay such moneys to the State as an overpayment of Base Rentals.

Section 3.08. Repayment to the State from the Trustee. After payment in full of the Certificates, the interest thereon, any premium thereon, the fees, charges and expenses of the Trustee, any amount required to be deposited to the Rebate Fund, and all other amounts required to be paid hereunder, any amounts remaining in the Base Rentals Fund and Costs of Execution and Delivery Fund or otherwise held by the Trustee pursuant hereto (but excluding the Rebate Fund and any escrow accounts established pursuant to Section 6.01 hereof) shall be paid to the State or, at the State's direction in its discretion, to the Sublessee upon the expiration or sooner termination of the Lease Term as a return of an overpayment of Base Rentals. After payment of all amounts due and owing the federal government held in the Rebate Fund, if any, any excess amounts in the Rebate Fund shall be paid to the State or, at the State's direction in its discretion, to the Sublessee.

ARTICLE IV
REDEMPTION OF CERTIFICATES

Section 4.01. Optional Redemption. In the event the State exercises its right under the Lease to purchase the Trustee's leasehold interest in the Leased Property under the Lease, the Certificates shall be subject to redemption in whole prior to maturity as follows:

(a) ***Series 2015 Certificates***. The Series 2015 Certificates maturing on and after March 15, 2026 shall be subject to redemption prior to maturity on March 15, 2025, and on any date thereafter, at a redemption price equal to the principal amount of the Series 2015 Certificates redeemed plus accrued interest to the redemption date, without premium.

(b) ***Additional Certificates***. The optional redemption of Additional Certificates shall be as provided in the supplemental Indenture authorizing the execution and delivery of such Additional Certificates.

Section 4.02. [Reserved].

Section 4.03. Extraordinary Mandatory Redemption. Except as hereinafter provided, the Certificates shall be called for extraordinary mandatory redemption in whole upon:

(a) termination of the Lease following a Lease Event of Nonappropriation;

(b) termination of the Lease following a Lease Event of Default; or

(c) the occurrence of a Property Damage, Defect or Title Event and both (i) the Net Proceeds of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property made available by reason of such event are insufficient to pay in full the cost of repairing or replacing the Leased Property, and (ii) neither does the Colorado General Assembly appropriate sufficient funds for such purpose nor does the State cause the Lease to be amended in order that Additional Certificates may be executed and delivered to provide funds for such purpose.

If called for redemption, as described in this Section, the Certificates shall be redeemed in whole, on such date or dates as the Trustee may determine, for a redemption price equal to the principal amount thereof plus accrued interest to the redemption date (subject to the availability of funds as described below).

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the Lease, otherwise received and other moneys then available under this Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding and upon indemnification as provided in Section 8.01(d) of this Indenture, without any further demand or notice, shall, exercise all or any combination of Lease Remedies as provided in the Lease and the Certificates shall be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates.

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys shall be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding.

In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys shall be paid to the State or, at the State's direction in its discretion, to the Sublessee as an overpayment of the Lease Purchase Option Price. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Trustee shall be entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys.

IF THE CERTIFICATES ARE REDEEMED PURSUANT TO THIS SECTION FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT SHALL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF THE CERTIFICATES SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR THE STATE.

If the Certificates are redeemed pursuant to this Section for an amount less than the aggregate principal amount thereof plus interest accrued to the redemption date, the Trustee shall treat any Certificate of a denomination greater than $5,000 as representing that number of separate Certificates each of the denomination of $5,000 as can be obtained by dividing the actual principal amount of such Certificate by $5,000.

Section 4.04. [Reserved].

Section 4.05. Notice of Redemption. Whenever Certificates are to be redeemed under any provision of this Indenture, the Trustee shall, not less than 30 and not more than 60 days prior to the redemption date (except for Extraordinary Mandatory Redemption under Section 4.03 hereof, which notice shall be immediate), send notice of redemption by Electronic Means or first-class mail, postage prepaid to all Owners of all Certificates to be redeemed at their registered addresses. In addition, the Trustee shall at all reasonable times make available to the State and any Certificate Owner information as to Certificates which have been redeemed or called for redemption. Any notice of redemption shall: (a) identify the Certificates to be redeemed; (b) specify the redemption date and the redemption price; (c) if applicable, state that such redemption is subject to the deposit of the funds related to such redemption by the State on or before the stated redemption date; and (d) state that on the redemption date the Certificates called for redemption will be payable by the Trustee (i) if redeemed in part, by wire transfer of funds to a bank account located in the United States designated by the Certificate Owner in written instructions to the Trustee; and (ii) if redeemed in whole, upon presentation and surrender of the Certificates at the principal corporate trust office of the Trustee, or at such other location as it shall designate, and that from that redemption date interest will cease to accrue.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Certificates so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the Owners of the

Certificates called for redemption in the same manner as the original redemption notice was given.

Section 4.06. Redemption Payments. On or prior to the date fixed for redemption, funds shall be deposited with the Trustee to pay 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 certain cases as set forth above 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 shall no longer accrue after the date fixed for redemption. Redemption payments shall be accompanied by a written designation prepared by the Trustee stating the portions of the payment representing principal, interest, and premium, if any.

ARTICLE V
INVESTMENTS

Section 5.01. Investment of Moneys. The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Permitted Investment, remains a Permitted Investment absent a receipt of written notice or information to the contrary. All moneys held as part of the Base Rentals Fund, the Costs of Execution and Delivery Fund, the Rebate Fund, or any other fund or account created hereunder (other than any escrow accounts established pursuant to Section 6.01 hereof) shall be deposited or invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any fund or account created hereunder which shall interfere with or prevent withdrawals for the purpose for which the moneys so deposited or invested were placed in trust hereunder or for payment of the Certificates at or before maturity or interest thereon as required hereunder. In the absence of such written direction, the Trustee is hereby directed to invest moneys in a money market fund that is a Permitted Investment. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Except as otherwise provided in Section 3.04 hereof and the following sentence, deposits or investments shall at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. Upon the written direction of the State, any interest or other gain from any fund or account created hereunder (except escrow accounts established pursuant to Section 6.01 hereof) shall be deposited to the Rebate Fund to the extent required and permitted pursuant to Section 3.04 hereof. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in the Base Rentals Fund is insufficient to pay the principal of and interest on the Certificates when due, or whenever the cash balance in any fund or account created hereunder is insufficient to satisfy the purposes of such fund or account.

Unless otherwise confirmed or directed in writing, an account statement delivered periodically by the Trustee to the State shall confirm that the investment transactions identified therein accurately reflect the investment directions of the State, unless the State notifies the Trustee in writing to the contrary within thirty (30) days of the date of such statement. If and only to the extent that the following qualifies at the time as a Permitted Investment, the Trustee is specifically authorized to purchase or invest in shares of any investment company that: (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial or other services for compensation); (ii) invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States; and (iii) maintains a constant asset value per share. The Trustee is specifically authorized to implement its automated cash investments system to assure that cash on hand is invested and to charge reasonable cash management fees, which may be deducted from income earned on investments.

The Trustee hereby agrees to secure and retain the documentation with respect to investments of moneys in the funds and accounts created under this Indenture as required by and as described in the Tax Certificate.

The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provisions of this Article V.

The Trustee may transfer investments from any Fund to any other Fund in lieu of cash when a transfer is required or permitted by the provisions of this Indenture.

Section 5.02. Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account (except defeasance escrows), Permitted Investments shall be valued at the market price, exclusive of accrued interest. With respect to all funds and accounts (except defeasance escrows, and except as otherwise provided in the Tax Certificate with respect to the Rebate Fund), valuation shall occur as of June 30 of each year. The Trustee shall calculate the value of investments on deposit in the funds and accounts held pursuant to this Indenture.

ARTICLE VI
DEFEASANCE AND DISCHARGE

Section 6.01. Defeasance and Discharge.

(a) When the principal or redemption price (as the case may be) of, and interest on, all the Certificates executed and delivered hereunder have been paid or provision has been made for payment of the same (or, in the case of redemption of the Certificates pursuant to Section 4.03 of this Indenture, if full or partial payment of the Certificates and interest thereon is made as provided in Section 4.03 of this Indenture), together with all other sums payable hereunder relating to the Certificates, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the State to the Trustee and to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall (i) release the Site Lease and transfer and convey the Trustee's leasehold interest in the Leased Property to the State as provided by Article IX of the Lease; (ii) release the Lease and this Indenture; (iii) execute such documents to evidence such releases as may be reasonably required by the State; and (iv) turn over to the State or, at the State's direction in its discretion, to the Sublessee all balances then held by the Trustee in the Funds hereunder except for amounts held in any defeasance escrow accounts and except as otherwise provided in the Tax Certificate with respect to the Rebate Fund. If payment or provision therefor is made with respect to less than all of the Certificates, the particular Certificates (or portion thereof) for which provision for payment shall have been considered made shall be selected by the State.

(b) Provision for the payment of all or a portion of the Certificates shall be deemed to have been made when the Trustee holds in the Base Rentals Fund, or there is on deposit in a separate escrow account or trust account held by a trust bank or escrow agent, either moneys in an amount which shall be sufficient, and/or Federal 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, concurrently deposited in trust, 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. 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 a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the applicable Certificates in full on the maturity or redemption date thereof unless fully funded with cash.

(c) Neither the Federal Securities nor the moneys deposited in the Base Rentals Fund or separate escrow account or trust account pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, premium, if any, and interest on the Certificates or portions thereof; provided, however, that other Federal Securities and moneys may be substituted for the Federal Securities and moneys so deposited prior to their use for such purpose. Whenever moneys or Federal Securities shall be deposited with the Trustee or a separate escrow agent for the payment or redemption of any Certificates more than 60 days prior to the date that such Certificates are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or Federal Securities have been deposited and identifying the Certificates for the payment of which such moneys or Federal Securities are being held, to all Owners of Certificates for the payment of which such moneys or Federal Securities are being held.

(e) At such time as any Certificate shall be deemed paid as provided in paragraph (b) above, such Certificate shall no longer be secured by or entitled to the benefits of this Indenture or the Lease, except for the purpose of exchange and transfer and any payment from such cash or Federal Securities deposited with the Trustee, trust bank or escrow agent, as applicable.

ARTICLE VII
INDENTURE EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Indenture Events of Default Defined. Each of the following shall be an "Indenture Event of Default":

(a) failure to pay the principal of or premium, if any, on any Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption;

(b) failure to pay any installment of interest on any Certificate when the same shall become due and payable;

(c) the occurrence of a Lease Event of Nonappropriation; or

(d) the occurrence of a Lease Event of Default.

Upon the occurrence of any Indenture Event of Default, the Trustee shall give notice thereof to the Owners of the Certificates.

The Trustee shall waive any Lease Event of Nonappropriation which is cured by the State, as provided by Section 6.04(c) of the Lease, by a duly effected Appropriation to pay all Base Rentals and sufficient amounts to pay reasonably estimated Additional Rentals coming due for such Renewal Term. The Trustee may also waive any Lease Event of Nonappropriation which is cured by the State within a reasonable time with the procedure described in the preceding sentence if in the Trustee's judgment such waiver is in the best interest of the Certificate Owners.

Section 7.02. Remedies. If any Indenture Event of Default occurs and is continuing, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) hereof, without any further demand or notice, enforce for the benefit of the Owners of the Certificates each and every right of the Trustee as the lessee under the Site Lease and the lessor under the Lease. In exercising such rights of the Trustee and the rights given the Trustee under this Article and Article VIII hereof, the Trustee may, or shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and upon indemnification as provided in Section 8.01(d) hereof, take such action as the Trustee, being advised by counsel, determines would best serve the interests of the Owners of the Certificates, including calling the Certificates for redemption prior to their maturity in the manner and subject to the provisions of Article IV hereof and exercising the Lease Remedies provided in the Lease.

Section 7.03. Legal Proceedings by Trustee. If any Indenture Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Outstanding Certificates and upon indemnification as provided in Section 8.01(d) hereof, shall, in its capacity as Trustee hereunder:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners of the Certificates, including enforcing any rights of the Trustee in respect of the Trustee's leasehold interests in the Leased Property including its rights as lessor under the Lease and as lessee under the Site Lease and its rights under this Indenture and to enforce the provisions of this Indenture and any collateral rights hereunder for the benefit of the Owners of the Certificates;

(b) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Certificates; or

(c) take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners of the Certificates.

Section 7.04. Discontinuance of Proceedings by the Trustee. If any proceeding commenced by the Trustee on account of any Indenture Event of Default is discontinued or is determined adversely to the Trustee, then the Owners of the Certificates and the State shall be restored to their former positions and rights hereunder as though no such proceeding had been commenced.

Section 7.05. Owners of Certificates May Direct Proceedings. The Owners of a majority in aggregate principal amount of Outstanding Certificates shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudice the rights of minority Owners of the Certificates.

Section 7.06. Limitations on Actions by Owners of Certificates. No Owner of the Certificates shall have any right to pursue any remedy hereunder unless:

(a) the Trustee shall have been given written notice of an Indenture Event of Default;

(b) the Owners of at least a majority in aggregate principal amount of all Outstanding Certificates shall have requested the Trustee, in writing, to exercise the powers hereinabove granted to or pursue such remedy in its or their name or names;

(c) the Trustee shall have been offered indemnity satisfactory to it as provided in Section 8.01(d) hereof; and

(d) the Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the foregoing provisions of this Section or any other provision of this Indenture, the obligation of the Trustee shall be absolute and unconditional to pay hereunder, but solely from the Revenues pledged under this Indenture, the principal of, premium, if any, and interest on the Certificates to the respective Owners thereof on the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Section 7.07. Trustee May Enforce Rights Without Possession of Certificates. All rights under this Indenture and the Certificates may be enforced by the Trustee without the possession of any Certificates or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners of the Certificates.

Section 7.08. Remedies Not Exclusive. Subject to any express limitations contained herein, no remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.09. Delays and Omissions Not to Impair Rights. No delays or omissions in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given by this Article VII may be exercised from time to time and as often as may be deemed expedient.

Section 7.10. Application of Moneys Upon Indenture Event of Default. Any moneys received, collected pursuant to any right given or action taken under the provisions of this Article and any other money held by the Trustee as part of the Trust Estate following an Indenture Event of Default (except for moneys held in the Rebate Fund or any escrow account established pursuant to Section 6.01 hereof) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, be applied in the following order:

(a) to the payment of the reasonable costs of the Trustee, including, but not limited to, its attorneys' fees, costs and expenses and disbursements and advances of the Trustee, and the payment of its reasonable compensation, including any amounts remaining unpaid;

(b) to the payment of interest then owing on the Certificates, and in case such moneys shall be insufficient to pay the same in full, then to the payment of interest ratably, without preference or priority of one Certificate over another or of any installment of interest over any other installment of interest; and

(c) to the payment of principal or redemption price (as the case may be) then owing on the Outstanding Certificates, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or redemption price ratably, without preference or priority of one Certificate over another.

The surplus, if any, shall be paid to the State or, at the State's direction in its discretion, to the Sublessee.

ARTICLE VIII
CONCERNING THE TRUSTEE

Section 8.01. Duties of the Trustee.

(a) The Trustee hereby accepts the provisions of the Site Lease, the Lease and this Indenture and accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth in the Site Lease, the Lease and this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) The Trustee hereby covenants for the benefit of the Owners of the Certificates that the Trustee will observe and comply with its obligations under the Site Lease, the Lease and this Indenture.

(c) 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.

(d) Before taking any action hereunder the Trustee may require that satisfactory indemnity be furnished to it by the Certificate Owners for the reimbursement of all costs and expenses which it may incur and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or resolution related to the protection of the environment or hazardous substances, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

Section 8.02. Liability of the Trustee; Trustee's Use of Agents.

(a) The Trustee shall be liable only for its own negligence or willful misconduct. However, the Trustee shall not be liable for any error of judgment made in good faith, provided the Trustee was not negligent in ascertaining the pertinent facts.

(b) The Trustee may exercise any powers under this Indenture and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to the advice of Counsel concerning all matters involving the Trustee's duties hereunder. The Trustee may act upon the opinion or advice of Counsel engaged by the Trustee in the exercise of reasonable care without liability for any loss or damage resulting from any action or omission taken in good faith reliance upon that opinion or advice.

(c) 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 other than its negligence or willful misconduct.

(d) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in possession of or managing the Leased Property.

(e) The Trustee shall not be liable for actions taken at the direction of Owners pursuant to the provisions of Article VII hereof.

(f) Any person hired by the Trustee to enforce Lease Remedies shall be considered the Trustee's agent for the purposes of this Section.

(g) The Trustee shall not be responsible for any recital herein or in the Certificates (except in respect to the execution of the Certificates on behalf of the Trustee), or for the recording or rerecording, filing or refiling of the Site Lease, the Lease or this Indenture or of any supplements thereto or hereto or instruments of further assurance, or collecting any insurance moneys, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby, or for the value of or title to the Leased Property, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the State, except as provided herein; but the Trustee may require of the State full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the State under the Lease; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Indenture.

(h) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the State by the State Representative or such other person as may be designated for such purpose by the State, as sufficient evidence of the facts therein contained, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(i) 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 this Indenture or law. The Trustee shall not be under any liability for interest on any moneys received hereunder except that the Trustee is responsible for investing moneys in funds held hereunder in compliance with the provisions of the Tax Certificate, and complying with the written investment direction of the State.

(j) 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.

(k) Notwithstanding anything in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand in respect of the execution and delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of this 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 deemed desirable for the purpose of establishing the right of the State to the execution and delivery of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) 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.

(m) The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Certificates except to the extent that such statement was provided by the Trustee.

(n) Notwithstanding any other provision of this Indenture to the contrary, any provision relating to the conduct of, intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee, shall be interpreted to include any action of the Trustee, whether it is deemed to be in its capacity as Trustee, registrar, or paying agent.

(o) The Trustee may inform any Owner of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not been adequately indemnified.

Section 8.03. Representations, Warranties and Covenants of the Trustee. The Trustee represents, warrants and covenants as follows:

(a) The Trustee is (i) 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) authorized to provide corporate trust services in the State; (iii) authorized, under its articles of association and bylaws and applicable law to act as trustee under this Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Lease, to lease the Leased Property to the State pursuant to the Lease, and to execute, deliver and perform its obligations under the Lease, this Indenture and the Site Lease.

(b) The execution, delivery and performance of the Lease, this Indenture and the Site Lease by the Trustee have been duly authorized by the Trustee.

(c) The Lease, this Indenture and the Site Lease 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 Lease, this Indenture and the 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 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 Lease, this Indenture, the Sublease or the Site Lease, 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 against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Lease, this Indenture or the Site Lease or to lease the Leased Property.

(f) So long as no Indenture Event of Default has occurred and is then continuing or existing, except as specifically provided in the Site Lease or the Lease or as necessary to transfer the Trust Estate to a successor Trustee, the Trustee shall not pledge or assign the Trustee's right, title and interest in and to (i) the Lease or the Site Lease; (ii) the Base Rentals, other Revenues and collateral, security interests and attendant rights and obligations which may be derived under the Lease or the Site Lease; or (iii) the Leased Property and any reversion therein or any of the Trustee's other rights under the Lease or the Site Lease or assign, pledge, mortgage, encumber or grant a security interest in the Trustee's right, title and interest in, to and under the Lease or the Site Lease or the Leased Property except for Permitted Encumbrances.

(g) The Trustee covenants and agrees to comply with any applicable requirements for the Trustee set forth in the Tax Certificate as directed by the State.

Section 8.04. Compensation. During the Lease Term, the Trustee shall be entitled to payment and reimbursement for its reasonable fees and expenses for its ordinary services rendered hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as and when the same become due and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services as and when the same become due, as provided in Sections 6.02 and 10.05 and Exhibit D of the Lease. In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the gross negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee's right to compensation and reimbursement shall survive the satisfaction and discharge of this Indenture or its resignation or removal hereunder and payment in full of the Certificates.

Section 8.05. Notice of Default; Right to Investigate. The Trustee shall, within 30 days after it receives notice thereof, give written notice by first-class mail to the Owners of the Certificates of all Indenture Events of Default known to the Trustee and send a copy of such notice to the State, unless such defaults have been remedied. The Trustee shall not be deemed to have notice of any Indenture Event of Default unless it has actual knowledge thereof or has been notified in writing of such Indenture Event of Default by the State or the Owners of at least 25% in aggregate principal amount of the Outstanding Certificates. The Trustee may, however, at any time request the State to provide full information as to the performance of any covenant under the Lease; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into any matter related to the Site Lease, the Lease, and the Leased Property.

Section 8.06. Obligation to Act on Defaults. If any Indenture Event of Default shall have occurred and be continuing of which the Trustee has actual knowledge or notice, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent person would exercise or use in the circumstances in the conduct of his or her own affairs; provided, that if in the opinion of the Trustee such action may tend to involve extraordinary expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

Section 8.07. Reliance on Documents, Etc. The Trustee may conclusively rely and act on any written resolution, notice, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

The Trustee shall be entitled to rely upon opinions of Counsel and shall not be responsible for any loss or damage resulting from reliance in good faith thereon, except for its own negligence or willful misconduct.

Section 8.08. Trustee May Own Certificates. The Trustee may in good faith buy, sell, own and hold any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not the party to this Indenture.

Section 8.09. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Indenture, and any such construction by the Trustee shall be binding upon the Owners. In construing any such provision, the Trustee will be entitled to rely upon advice and opinions of Counsel and will not be responsible for any loss or damage resulting from reliance in good faith thereon, except for its own negligence or willful misconduct.

Section 8.10. Resignation of the Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the State not less than 60 days before the date when it is to take effect; provided notice of such resignation is mailed by registered or certified mail to the Owner of each Outstanding Certificate at the address shown on the registration books. Such resignation shall take effect only upon the appointment of a successor Trustee as specified in Sections 8.12 and 8.13 below. If no successor Trustee is appointed within 60 days following the date designated for the resignation of the Trustee, the resigning Trustee may apply to a court of competent jurisdiction to appoint a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds, or to other amounts due arising prior to the date of such resignation shall survive resignation.

Section 8.11. Removal of the Trustee. Any Trustee hereunder may be removed at any time, after payment of all outstanding fees and expenses of the Trustee being so removed, by the State or by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, upon written notice being filed with the Trustee, the State and the Owner of each Outstanding Certificate at the address shown on the registration books. Such removal shall take effect only upon the appointment of a successor Trustee. The rights of the Trustee to be held harmless, to insurance proceeds, or to other amounts due arising prior to the date of such removal shall survive removal. Notwithstanding the foregoing, the State shall not be entitled to remove the Trustee pursuant to this Section 8.11 if a Lease Event of Nonappropriation or a Lease Event of Default has occurred and is continuing.

Section 8.12. Appointment of Successor Trustee. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the State shall appoint a successor, and shall cause a notice of such appointment to be mailed by registered or certified mail to the Owners of all Outstanding Certificates at the address shown on the registration books. If the State fails to make such appointment within 30 days after the date notice of resignation is filed, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding may do so. If the Owners have failed to make such appointment within 60 days after the date notice of resignation is filed, the Trustee may petition a court of competent jurisdiction to make such appointment.

Section 8.13. Qualification of Successor. Any successor trustee shall be a national or state commercial bank with trust powers having capital and surplus of at least $50,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

Section 8.14. Instruments of Succession. Any successor trustee shall execute, acknowledge and deliver to the State an instrument accepting such appointment under this Indenture in addition to any documents, agreements or instruments required for such successor trustee to act as lessor under the Lease and as lessee under the Site Lease; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust under this Indenture, with like effect as if originally named Trustee herein. The Trustee ceasing to act under this Indenture shall pay over to the successor trustee all moneys held by it under this Indenture; and, upon request of the successor trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts under this Indenture of the Trustee ceasing to act.

Section 8.15. Merger of the Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any sale, merger or consolidation of its corporate trust department or assets as a whole or substantially as a whole or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which any Trustee hereunder shall be a party, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.16. Intervention by the Trustee. In any judicial proceeding to which the Trustee or the State is a party and which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of Outstanding Certificates and furnished indemnity. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 8.17. Books and Record of the Trustee; Trustee Record Keeping. The Trustee shall keep such books and records relating to the Site Lease, the Lease, the Sublease and the Funds created under this Indenture as shall be consistent with industry practice and make such books and records available for inspection by the State, at all reasonable times and for six years following the discharge of this Indenture according to Article VI hereof.

Section 8.18. Environmental Matters. Any real property or interest in real property constituting any portion of the Trust Estate shall be subject to the following provisions:

(a) The Trustee's responsibilities for any interest in real property constituting any portion of the Trust Estate, prior to an Indenture Event of Default, shall be performed as Trustee on behalf of the Owners of the Certificates without any duty to monitor or investigate whether the real property constituting any portion of the Trust Estate complies with environmental laws or is subject to any hazardous substance.

(b) Following an Indenture Event of Default, if the Trustee determines that the release, threatened release, use, generation, treatment, storage or disposal of any hazardous substance on, under or about real property constituting any portion of the Trust Estate gives rise to any liability or potential liability under any federal, State, local or common law, or devalues or threatens to devalue such real property, the Trustee may take whatever action is deemed necessary by the Trustee to address the threatened or actual releases of hazardous substances, or to bring about or maintain such real property's compliance with federal, State or local environmental laws and regulations. The Trustee shall not be obligated to take any actions contemplated in this Section unless either (i) it deems it necessary pursuant to the advice of Counsel, or (ii) it is directed to do so and is indemnified to its satisfaction as expressly set forth in Section 7.02 hereunder.

ARTICLE IX
SUPPLEMENTAL INDENTURES AND
AMENDMENTS OF THE LEASE AND THE SITE LEASE

Section 9.01. Supplemental Indentures and Amendments Not Requiring Certificate Owners' Consent. The Trustee may, with the written consent of the State, but without the consent of or notice to the Owners, enter into such indentures or agreements supplemental hereto, for any one or more or all of the following purposes:

(a) to grant additional powers or rights to the Trustee;

(b) to subject to this Indenture additional revenues, properties or collateral (including release and substitution of property permitted under the Lease);

(c) to authorize the execution and delivery of Additional Certificates for the purposes and under the conditions set forth in Section 2.10 hereof;

(d) to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or

(e) for any purpose not inconsistent with the terms of this Indenture or to cure any ambiguity, or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision contained herein or to make such other amendments to this Indenture which do not materially adversely affect the interests of the Owners of the Certificates.

Section 9.02. Supplemental Indentures and Amendments Requiring Certificate Owners' Consent.

(a) Exclusive of supplemental indentures and amendments covered by Section 9.01 hereof, the written consent of the State and the consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, shall be required for any indenture or indentures supplemental hereto.

(b) Notwithstanding the foregoing, without the consent of the Owners of all of the Certificates at the time Outstanding nothing herein contained shall permit, or be construed as permitting:

(i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the owner of such Certificate;

(ii) the deprivation of the Owner of any Certificate then Outstanding of the interest created by this Indenture (other than as originally permitted hereby) without the consent of the Owner of such Certificate;

(iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates (except with respect to the possible subordination of Additional Certificates); or

(iv) a reduction in the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

(c) If at any time the State shall request the Trustee to enter into a supplemental indenture which requires the consent of the Certificate Owners as provided herein, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be sent by Electronic Means or 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 principal corporate trust office of the Trustee for inspection by all Certificate Owners. If, within 60 days or such longer period as shall be prescribed by the State following the mailing of such notice, the required consents have been furnished to the Trustee as herein provided, no Certificate Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.03. Amendment of the Lease and the Site Lease.

(a) The Trustee and the State shall have the right to amend the Lease and the Trustee and the Site Lessor shall have the right to amend the Site Lease without the consent of or notice to the Owners of the Certificates, for one or more of the following purposes:

(i) to add covenants of the Trustee, the State or the Site Lessor, or to grant additional powers or rights to the Trustee;

(ii) in order to more precisely identify the Leased Property or make additions or modifications to the Leased Property, as the case may be, as may be authorized under the Site Lease and the Lease, including but not limited to Section 7.05 of the Site Lease and Section 8.06 of the Lease;

(iii) to make additions to the Leased Property, amend the schedule of Base Rentals and make all other amendments necessary for the execution and delivery of Additional Certificates in accordance with Section 2.10 hereof;

(iv) to amend the schedule of Base Rentals set forth as Exhibit C to the Lease in accordance with Section 6.01(a) of the Lease;

(v) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest portion of the Base Rentals allocable to the Certificates; or

(vi) for any purpose not inconsistent with the terms of this Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any amendment thereto which may be defective or inconsistent with any other provision contained therein or herein or in any amendment thereto, or to make such other amendments to the Lease or the Site Lease which do not materially adversely affect the interests of the Owners of the Certificates.

(b) If the Trustee or the State proposes to amend the Lease or the Trustee or the Site Lessor proposes to amend the Site Lease in such a way as would materially adversely affect the interests of the Owners of the Certificates, the Trustee shall notify the Owners of the Certificates of the proposed amendment and may consent thereto only with the consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; provided, that the Trustee shall not, without the unanimous consent of the

Owners of all Certificates Outstanding, consent to any amendment which would (i) decrease the amounts payable in respect of the Lease, (ii) change the Base Rentals Payment Dates, or (iii) change any of the prepayment provisions of the Lease.

ARTICLE X
MISCELLANEOUS

Section 10.01. Evidence of Signature of Owners and Ownership of Certificates. Any request, consent or other instrument which this 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:

(a) 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.

(b) The fact of the owning by any person of Certificates and the amounts and numbers of such Certificates, and the date of the owning of the same, may be proved by a certificate executed by any trust company, bank or bankers, wherever situated, stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such bankers, as the property of such party, the Certificates therein mentioned, if such certificate shall be deemed by the Trustee to be satisfactory. The Trustee may, in its discretion, require evidence that such Certificates have been deposited with a bank, bankers or trust company before taking any action based on such ownership. In lieu of the foregoing the Trustee may accept other proofs of the foregoing as it shall deem appropriate.

Any request or consent of the Owner of any Certificate shall be conclusive upon and shall bind all future owners of such Certificate and of any Certificate issued upon the transfer or exchange of such Certificate in respect of anything done or suffered to be done by the State or the Trustee in accordance therewith, whether or not notation of such consent or request is made upon any such Certificate.

Section 10.02. Inspection of the Leased Property. Under the Lease, the Trustee and its duly authorized agents (a) have the right, but not the duty, on reasonable notice to the State and the Sublessee, at all reasonable times, to examine and inspect the Leased Property (subject to such regulations as may be imposed by the State or the Sublessee for security purposes); and (b) are permitted, but have no obligation, at all reasonable times, to examine the books, records, reports and other papers of the State and the Sublessee with respect to the Leased Property.

Section 10.03. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the

State, the Trustee and the Owners any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation of this Indenture; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the State, the Trustee, and the Owners.

Section 10.04. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 10.05. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions of this Indenture.

Section 10.06. Severability. In the event any provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Indenture.

Section 10.07. Governing Law. This Indenture shall be governed and construed in accordance with the laws of the State of Colorado.

Section 10.08. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.09. Notices. All notices, certificates or other communications to be given hereunder shall be sufficiently given and shall be deemed given when sent by Electronic Means or delivered or mailed by first-class mail, postage prepaid, addressed as follows:

to the Trustee:	UMB Bank, n.a. 1670 Broadway Denver, CO 80202 Telephone: (303) 764-3603 or (303) 839-2220 Facsimile: (303) 764-3699 E-mail: tamara.dixon@umb.com Attention: Corporate Trust and Escrow Services
to the State:	Colorado State Treasurer 140 State Capitol 200 East Colfax Avenue Denver, CO 80203 Telephone: (303) 866-2441 Facsimile: (303) 866-2123 E-mail: jon.forbes@state.co.us Attention: Deputy State Treasurer

with a copy to: Colorado State Controller
5th Floor
1525 Sherman Street
Denver, CO 80203
Telephone: (303) 866-3765
Facsimile: (303) 866-4233
E-mail: bob.jaros@state.co.us
Attention: Bob Jaros

and if to the Sublessee, to the notice address set forth in the Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.10. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Trustee shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 10.11. Events Occurring on Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Indenture, shall be a day other than a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has caused this Indenture to be executed as of the date first above written.

UMB BANK, n.a.,
as Trustee

By:____________________________________
Authorized Signatory

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Tamara L. Dixon, as an authorized signatory of UMB Bank, n.a.

____
Notary Public

My commission expires:______________________

[SEAL]

EXHIBIT A

DEFINITIONS

"*2006 Indenture*" means the Indenture of Trust, dated as of December 1, 2006, by and between the Grand Junction, Colorado State Leasing Authority, Inc., and American National Bank, as trustee (which has been succeeded as trustee by UMB Bank, n.a.), relating to the issuance by the Grand Junction, Colorado State Leasing Authority, Inc. of $12,565,000 in aggregate principal amount of Lease Revenue Bonds (CBI Laboratory Facilities Project), Series 2006, dated December 5, 2006, of which $10,150,000 in aggregate principal amount currently remains outstanding and will be refunded and defeased as part of the Refinancing Project.

"*2006 Lease*" means the Lease Agreement, dated as of November 30, 2006, by and between the Grand Junction, Colorado State Leasing Authority, Inc., as lessor, and the State of Colorado, acting by and through the Department of Public Safety, as lessee.

"*Additional Certificates*" means any Certificates in addition to the Series 2015 Certificates executed and delivered pursuant to Section 2.10 of this Indenture.

"*Additional Rentals*" means the payment or cost of all:

(a) reasonable expenses and fees of the Trustee related to the performance or discharge of its responsibilities under the provisions of the Lease, the Site Lease or this Indenture, including the expenses of the Trustee in respect of any policy of insurance or surety bond obtained in respect of the Certificates executed and delivered with respect to the Lease;

(b) reasonable legal fees and expenses incurred by the Trustee to defend the Trust Estate or the Trustee from and against any legal claims;

(c) reasonable expenses and fees of the Trustee incurred at the request of the State Representative;

(d) reasonable fees and expenses of any person or firm employed by the State to make rebate calculations under the provisions of Section 3.04 of this Indenture;

(e) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Leased Property and as otherwise required under the Lease;

(f) rebate payments provided for in Section 10.04 of the Lease; and

(g) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the State shall fail to pay the same, as specifically set forth in the Lease) which the State agrees to assume or pay as Additional Rentals under the Lease.

Additional Rentals do not include Base Rentals.

"*Appropriation*" means the action of the Colorado General Assembly in annually making moneys available for all payments due under the Lease, including the payment of Base Rentals and Additional Rentals.

"*Authorized Denominations*" means $5,000 or integral multiples thereof.

"*Base Rentals*" means the rental payments payable by the State during the Lease Term, which constitute payments payable by the State for and in consideration of the right to possess and use the Leased Property as set forth in Section 3.01 and Exhibit C (Base Rentals Schedule) of the Lease. Base Rentals do not include Additional Rentals.

"*Base Rentals Fund*" means the fund created under Section 3.03 of this Indenture.

"*Base Rentals Payment Dates*" means the Base Rentals payment dates set forth in Exhibit C (Base Rentals Schedule) to the Lease.

"*Beneficial Owners*" means any person for which a DTC Participant acquires an interest in Certificates.

"*Business Day*" means any day, other than a Saturday, Sunday or legal holiday or a day (a) on which banks in the city where the operations office of the Trustee is located are required or authorized by law or executive order to close; or (b) on which the Federal Reserve System is closed.

"*Cede & Co.*" means DTC's nominee or any new nominee of DTC.

"*Colorado Bureau of Investigation*" means the Colorado Bureau of Investigation, a division of the Department of Public Safety, and any successor thereto.

"*Continuing Disclosure Undertaking*" means the undertaking of the State, dated the Series 2015 Certificates Closing Date, to provide ongoing disclosure of certain information in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"*Certificates*" means the Series 2015 Certificates and any Additional Certificates.

"*Costs of Execution and Delivery*" means all items of expense directly or indirectly payable by the State related to the authorization, execution and delivery of the Site Lease, the Lease and the Sublease and related to the authorization, sale, execution and delivery of the Certificates and to be paid from the Costs of Execution and Delivery Fund, including, but not limited to, survey costs, title insurance fees or premiums, costs of the conveyance of the Leased Property to the Department of Safety, recording costs, closing costs and other costs relating to the leasing of the Leased Property under the Site Lease, the Lease and the Sublease, costs of preparation and reproduction of documents, initial fees and expenses of the Trustee, legal fees and expenses, including fees and expenses of Special Counsel, counsel to the Trustee, if any, and counsel to the Underwriter, if any, fees and expenses of the State's financial advisor and other professionals, fees and expenses for preparation, execution and safekeeping of the Certificates, ratings fees and any other cost, charge or fee in connection with the original sale and the execution and delivery of the Certificates; provided, however, that Additional Rentals shall not be Costs of Execution and Delivery of the Certificates and are to be paid by the State as provided in the Lease.

"*Costs of Execution and Delivery Fund*" means the fund created under Section 3.05 of this Indenture.

"*Counsel*" means an attorney at law or law firm (who may be counsel for the Trustee) who is satisfactory to the State.

"*C.R.S.*" means the Colorado Revised Statutes, as amended.

"*Department of Public Safety*" means the Colorado Department of Public Safety, an agency of the State.

"*Depository*" means any securities depository, in accordance with then current guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Certificates.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors and assigns.

"*DTC Participant*" means any broker-dealer, bank or other financial institution from time to time for which DTC holds Certificates as Depository.

"*Electronic Means*" means telecopy, facsimile transmissions, e-mail transmissions or other similar electronic means of communication providing evidence of transmission.

"*Enabling Legislation*" means Sections 24-82-102(b) and 801, C.R.S., and Senate Bill 15-207 enacted by the Colorado General Assembly in the First Regular Session of the Seventieth General Assembly of the State of Colorado, as they may be amended from time to time.

"*Extraordinary Mandatory Redemption*" means any redemption made pursuant to Section 4.03 of this Indenture.

"*Fair Market Value*" means, as determined by and at the election of the State:

(a) the value of the land included in the Leased Property as estimated by the Site Lessor in the Site Lease pursuant to which such property is leased to the Trustee, plus the replacement value of such property determined by the insurer providing casualty and property damage for such property; or

(b) the price at which a willing seller would sell and a willing buyer would buy property in an arm's-length transaction.

"*Federal Securities*" means non-callable bills, certificates of indebtedness, notes or bonds which are direct obligations of, or the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"*Fiscal Year*" means the State's fiscal year, which begins on July 1 of each calendar year and ends on June 30 of the following calendar year, or any other 12-month period which the State or other appropriate authority hereafter may establish as the State's fiscal year.

"*Force Majeure*" means, without limitation, the following: 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, 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; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the State in its capacity as lessee under the Lease or the Trustee.

"*Funds*" means the funds which are established pursuant to Article III of this Indenture.

"*Indenture*" means this State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust, dated the Series 2015 Certificates Closing Date, executed and delivered by the Trustee, as the same may be amended or supplemented.

"*Indenture Event of Default*" means those defaults specified in Section 7.01 of this Indenture.

"*Initial Term*" means, with respect to the Lease and Sublease, the period commencing on the date the Lease or Sublease is executed and delivered (unless a different commencement date is specifically set forth in the Lease or Sublease) and ending on the following June 30.

"*Interest Payment Date*" means, in respect of the Certificates, each March 15 and September 15, commencing March 15, 2016.

"*Interest Portion*" means the portion of each Base Rentals payment that represents the payment of interest set forth in Exhibit C (Base Rentals Schedule) of the Lease.

"*Lease*" means the State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement, dated the Series 2015 Certificates Closing Date, by and between the Trustee, as lessor, and the State, as lessee, as the same may be amended or supplemented.

"*Lease Event of Default*" means those defaults specified in Section 12.01 of the Lease.

"*Lease Event of Nonappropriation*" means an event described in Section 6.04(b) of the Lease. A Lease Event of Nonappropriation may also occur under certain circumstances described in Section 8.07(c)(iii) of the Lease. The term also means a notice under the Lease of the State's intention to not renew and therefore terminate the Lease or an event described in the Lease relating to the exercise by the State of its right to not appropriate amounts due as Additional Rentals in excess of the amounts for which an Appropriation has been previously effected.

"*Lease Purchase Option Price*" means the amount payable on any date, at the option of the State, to prepay Base Rentals, terminate the Lease Term and purchase the Trustee's leasehold interest in the Leased Property, as provided in Section 9.01 of the Lease.

"*Lease Remedy*" or "*Lease Remedies*" means any or all remedial steps provided in the Lease whenever a Lease Event of Default or a Lease Event of Nonappropriation has happened and is continuing, which may be exercised by the Trustee as provided in the Lease and in this Indenture.

"*Lease Term*" means the Initial Term and any Renewal Terms as to which the State may exercise its option to renew the Lease by effecting an Appropriation of funds for the payment of Base Rentals and Additional Rentals under the Lease, as provided in and subject to the provisions of the Lease. "Lease Term" refers to the time during which the State is the lessee of the Leased Property under the Lease.

"*Leased Property*" means, collectively, the Site and the Improvements, together with any and all additions and modifications thereto and replacements thereof.

"*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, or any proceeds derived from the exercise of any Lease Remedy or otherwise following termination of the Lease by reason of a Lease Event of Nonappropriation or a Lease Event of Default, allocable to the Leased Property, less (a) all related expenses (including, without limitation, reasonable attorneys' fees and costs) incurred in the collection of such proceeds or award, and (b) all other related fees, expenses and payments due to the State, the Sublessee and the Trustee.

"*Outstanding*" means, with respect to the Certificates, all Certificates executed and delivered pursuant to this Indenture as of the time in question, except:

(a) all Certificates theretofore canceled or required to be canceled under Section 2.09 of this Indenture;

(b) Certificates in substitution for which other Certificates have been executed and delivered under Section 2.07 or 2.08 of this Indenture;

(c) Certificates which have been redeemed as provided in Article IV of this Indenture;

(d) Certificates for the payment or redemption of which provision has been made in accordance with Article VI of this Indenture; provided that, if such Certificates are being redeemed, the required notice of redemption has been given or provision satisfactory to the Trustee has been made therefor; and

(e) Certificates deemed to have been paid pursuant to Section 6.01 of this Indenture.

"*Owners*" means the registered owners of any Certificates.

"*Permitted Encumbrances,*" with respect to the Leased Property, means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Sublease, this Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease, the Sublease or this Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the State Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the easements, covenants, restrictions, liens and encumbrances, if any, to which title to the Leased Property was subject when leased to the Trustee pursuant to the Site Lease, as shown on Exhibit B to the Site Lease, the Lease and the Sublease.

"*Permitted Investments*" means any lawful investment permitted for the investment of funds of the State under Section 24-75-601.1, C.R.S., 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 Portion*" means the portion of each Base Rentals payment that represents the payment of principal set forth in Exhibit C (Base Rentals Schedule) of the Lease.

"*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 or entity 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.

"*Rebate Fund*" means the fund created under Section 3.04 of this Indenture.

"*Refinancing Project*" means the refinancing of the 2006 Lease and the payment of the Costs of Execution and Delivery of the Series 2015 Certificates.

"*Regular Record Date*" in respect of the Certificates means the first day of the calendar month in which an Interest Payment Date (or the Business Day immediately preceding such day, if such first day is not a Business Day) occurs.

"*Renewal Term*" means, with respect to the Lease and Sublease, each 12-month period, commencing on July 1 of each year and ending on June 30 of the following year, for which the State renews the Lease Term or the Sublessee renews the Sublease Term after the Initial Term of the Lease or Sublease.

"*Requirement of Law*" means any federal, state or local statute, ordinance, 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.

"*Revenues*" means (a) all amounts payable by or on behalf of the State or with respect to the Leased Property pursuant to the Lease including, but not limited to, all Base Rentals under the Lease and the State's Purchase Option Price, but not including Additional Rentals; (b) any Net Proceeds; and (c) any moneys and securities, including investment income, held by the Trustee in the Funds established under this Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

"*Scheduled Sublease Term*" means the period that begins on the first day of the Initial Term of the Sublease and ends on the date described in Section 4.01(b)(i) thereof.

"*Series 2015 Certificates*" means the "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Certificates of Participation, Series 2015," dated the Series 2015 Certificates Closing Date, executed and delivered pursuant to this Indenture.

"*Series 2015 Certificates Closing Date*" means the date of execution and delivery of the Series 2015 Certificates to the Underwriter.

"*Site*" means the real property and the premises, buildings and improvements situated thereon, including all fixtures attached thereto, that is leased by the Site Lessor to the State pursuant to the Site Lease. The land included in the Site is described in Exhibit A to the Lease, Exhibit A to the Site Lease, Exhibit A to the Sublease and Exhibit C to this Indenture.

"*Site Lease*" means the State of Colorado Bureau of Investigation Grand Junction Regional Facility Site Lease Agreement, dated the Series 2015 Certificates Closing Date, by and between the Site Lessor, as lessor, and the Trustee, as lessee, as the same may be amended or supplemented.

"*Site Lessor*" means the State of Colorado, acting by and through the Department of Public Safety for the use and benefit of the Colorado Bureau of Investigation, as site lessor under the Site Lease with the Trustee, as site lessee.

"*Site Lessor Representative*" means (a) the Director of the Colorado Bureau of Investigation; or (b) any other officer or employee of the Site Lessor authorized by law or by a writing signed by the Director of the Colorado Bureau of Investigation to act as a Site Lessor Representative under the Site Lease, Lease, the Sublease or this Indenture.

"*Special Counsel*" means (a) as of the initial date of issuance of the Certificates, Dinsmore & Shohl LLP, or (b) as of any other date, Dinsmore & Shohl LLP or any other counsel with nationally recognized expertise in the issuance of tax-exempt debt. So long as the Lease Term is in effect, the State shall have the right to select Special Counsel.

"*State*" means (a) when used with respect to a party to the Lease or the Sublease, the State of Colorado, acting by and through the State Treasurer; and (b) when used in any other context, the State of Colorado.

"*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 Site Lease, Lease, the Sublease or this Indenture.

"*Sublease*" means the State of Colorado Bureau of Investigation Grand Junction Regional Facility Sublease Agreement, dated the Series 2015 Certificates Closing Date, by and between the State, acting by and through the State Treasurer, as sublessor, and the Sublessee, as sublessee, as the same may be amended or supplemented.

"*Sublease Additional Rentals*" means the payment or cost of all:

(a) reasonable expenses and fees of the Trustee related to the performance or discharge of its responsibilities under the provisions of the Lease, the Site Lease or this Indenture, including the expenses of the Trustee in respect of any policy of insurance or surety bond obtained in respect of the Certificates executed and delivered with respect to the Lease;

(b) reasonable legal fees and expenses incurred by the Trustee to defend the Trust Estate or the Trustee from and against any legal claims;

(c) reasonable expenses and fees of the Trustee incurred at the request of the State Representative;

(d) reasonable fees and expenses of any person or firm employed by the State to make rebate calculations under the provisions of Section 3.04 of this Indenture;

(e) taxes, assessments, insurance premiums, utility charges, maintenance, upkeep, repair and replacement with respect to the Leased Property and as otherwise required under the Sublease;

(f) rebate payments as provided in the Sublease; and

(g) all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the Sublessee shall fail to pay the same, as specifically set forth in the Sublease) which the Sublessee agrees to assume or pay as Sublease Additional Rentals thereunder.

Sublease Additional Rentals do not include Sublease Base Rentals.

"*Sublease Base Rentals*" means the rental payments payable by the Sublessee during the Sublease Term, which constitute payments payable by the Sublessee for and in consideration of the right to possess and use the Leased Property as set forth in Section 6.01 and Exhibit C to the Sublease. Sublease Base Rentals do not include Sublease Additional Rentals.

"*Sublease Base Rentals Payment Dates*" means the Sublease Base Rentals payment dates set forth in Exhibit C to the Sublease.

"*Sublease Event of Default*" means those defaults specified in Section 12.01 of the Sublease.

"*Sublease Event of Nonappropriation*" means an event described in Section 6.04(b) of the Sublease. A Sublease Event of Nonappropriation may also occur under certain circumstances described in Section 8.07(c)(iii) thereof. The term also means a notice under the Sublease of the Sublessee's intention to not renew and therefore terminate the Sublease or an event described in the Sublease relating to the exercise by the Sublessee of its right to not appropriate amounts due as Additional Rentals in excess of the amounts for which an appropriation has been previously effected.

"*Sublease Purchase Option Price*" means the amount that the Sublessee must pay pursuant to Section 9.01 of the Sublease to purchase the interest of the Trustee in all the Leased Property subject to the Sublease following a termination of the Lease due to a Lease Event of Default or Lease Event of Nonappropriation.

"*Sublease Term*" means the Initial Term and any Renewal Terms as to which the Sublessee may exercise its option to renew the Sublease by effecting an appropriation of funds for the payment of Sublease Base Rentals and Sublease Additional Rentals under the Sublease, as defined and provided in and subject to the provisions of the Sublease. "Sublease Term" refers to the time during which the Sublessee is the sublessee of the Leased Property under the Sublease.

"*Sublessee*" means the State of Colorado, acting by and through the Department of Public Safety for the use and benefit of the Colorado Bureau of Investigation.

"*Sublessee Representative*" means (a) the Director of the Colorado Bureau of Investigation or (b) any other officer or employee of the Sublessee authorized by law or by a writing signed by the Director of the Colorado Bureau of Investigation to act as a Sublessee Representative under the Site Lease, Lease, the Sublease or this Indenture.

"*Tax Certificate*" means, as applicable, the tax compliance certificate entered into by the State with respect to the Lease or by the Sublessee with respect to the Sublease.

"*Tax Code*" means the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder.

"*Trust Estate*" means all of the property placed in trust by the Trustee pursuant to the Granting Clauses of this Indenture.

"*Trustee*" means UMB Bank, n.a., acting in the capacity of trustee pursuant to this Indenture, and any successor thereto appointed under this Indenture or assign permitted under this Indenture.

"*Trustee Representative*" means (a) any officer of the Trustee; and (b) any other person or persons designated to act on behalf of the Trustee under the Lease, this Indenture, the Site Lease and the Sublease by a written certificate furnished to the State Treasurer and the Sublessee 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 and the Sublessee.

"*Underwriter*" means Stifel, Nicolaus & Company, Incorporated, and its successors or assigns, the original purchaser of the Series 2015 Certificates.

* * *

EXHIBIT B

FORM OF THE SERIES 2015 CERTIFICATES

THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAS NOT BEEN REGISTERED OR OTHERWISE QUALIFIED FOR SALE UNDER THE "BLUE SKY" LAWS AND REGULATIONS OF ANY STATE.

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 this Certificate 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 hereof, Cede & Co., has an interest herein.

No. R-__ **$________**

State of Colorado
Bureau of Investigation
Grand Junction Regional Facility Lease Purchase Agreement
Certificate of Participation
Series 2015

Interest Rate	Maturity Date	Dated Date	CUSIP Number
____%	March 15, 20__	September 29, 2015	

Registered Owner: **Cede & Co. (Tax Identification Number 13-2555119)**

Principal Amount: **____ and No/100 Dollars**

THIS CERTIFIES THAT the Registered Owner of this Certificate specified above (the "Owner"), or registered assigns, as the registered owner of this Certificate, is entitled to receive proportionate interest in the right to receive, together with the registered owners (the "Owners") of all other Certificates of Participation, Series 2015 (collectively, the "Series 2015 Certificates") executed and delivered pursuant to the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust, dated as of September 29, 2015 (the "Indenture"), entered into by UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"), certain Revenues defined in the Indenture, including the Base Rentals (as defined below) and certain other amounts payable by the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee under the annually renewable State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement, dated as of September 29, 2015 (the "Lease"), entered into with the Trustee, as lessor. All terms capitalized but not defined herein shall have the meanings given to them in the Indenture.

Pursuant to the Lease, the State has leased certain property (the "Leased Property") from the Trustee (which has acquired a leasehold interest in the Leased Property pursuant to the State of Colorado Bureau of Investigation Grand Junction Regional Facility Site Lease, dated as of September 29, 2015 (the "Site Lease"), entered into by and between the State of Colorado, acting by and through the Colorado Department of Public Safety for the use and benefit of the Colorado

Bureau of Investigation, as Site Lessor, and the Trustee, as Site Lessee), and has agreed to pay to the Trustee Base Rentals in consideration of the State's right to possess and use the Leased Property. Such Base Rentals and certain other Revenues derived by the Trustee under the Lease and the Indenture are required by the Indenture to be applied by the Trustee to pay the principal of and interest on the Certificates. The State also has agreed, subject to the terms of the Lease, to make certain other payments in respect of the Leased Property (the "Additional Rentals"). The State also has the option pursuant to the Lease at any time to purchase the leasehold interest of the Trustee under the Site Lease by paying the Purchase Option Price and thereby terminating the Lease as provided therein. In the event that the State pays the Purchase Option Price, such amounts are required to be used to redeem all of the outstanding Certificates prior to maturity, as provided in the Indenture. Under certain circumstances, this Certificate and the interest hereon may also be payable from the Net Proceeds of any insurance, performance bonds or condemnation awards, or from Net Proceeds received as a consequence of defaults or breaches of warranty under certain contracts relating to the Leased Property as provided in the Lease and the Indenture.

The payment obligations of the State under the Lease are subject to annual appropriation by the Colorado General Assembly. The State has the right and option each year to elect to not renew the Lease for the ensuing Fiscal Year, and thereby terminate the Lease, as provided in the Lease. The obligation of the State to pay Base Rentals and Additional Rentals under the Lease will terminate in the event that the Colorado General Assembly fails, for any reason, to appropriate by June 30 of each Fiscal Year sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid in the next ensuing Fiscal Year and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year (as provided in the Lease), subject to the provisions of the Lease, and will also terminate upon the occurrence of certain other events as described in the Lease (a "Lease Event of Nonappropriation"). If the Lease is terminated by the State by reason of a Lease Event of Nonappropriation or is terminated by reason of a Lease Event of Default, the principal amount of the this Certificate and interest hereon will be payable from such moneys, if any, as may be available for such purpose, including any moneys received by the Trustee from the exercise by the Trustee of available remedies under the Lease and the Indenture. The Trustee may waive a Lease Event of Nonappropriation or a Lease Event of Default under certain circumstances as provided in the Lease and the Indenture.

This Certificate constitutes one of a series aggregating $9,915,000 in principal amount, designated "State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Certificates of Participation, Series 2015" (the "Series 2015 Certificates") (the "Series 2015 Certificates"), executed and delivered pursuant to the Indenture. The Series 2015 Certificates, including this Certificate, are secured by the Indenture, pursuant to which certain rights of the Trustee as lessor under the Lease and certain rights of the Trustee in the Leased Property pursuant to the Lease are held in trust for the benefit of for the Owners of the Series 2015 Certificates. Reference is hereby made to the Site Lease, the Lease and the Indenture, copies of which are on file in the offices of the Trustee, for a complete description of the terms under which the Series 2015 Certificates are executed and delivered, the rights thereunder of the Owners of the Series 2015 Certificates, and the rights, duties and immunities of the Trustee, and the rights and obligations of the Site Lessor and the State, under the Lease and the Site Lease, to all of which provisions of the Lease and Indenture the Owner of this Certificate, by acceptance hereof, assents and agrees.

Additional certificates of participation ("Additional Certificates") may be executed and delivered pursuant to the Indenture for certain purposes without consent of or notice to the Owners of the Series 2015 Certificates and upon the satisfaction of certain conditions and limitations provided in the Indenture. Such Additional Certificates, together with the Series 2015 Certificates, are referred to herein collectively as the "Certificates." Additional Certificates will also evidence interests in rights to receive Revenues, including Base Rentals, without preference, priority or distinction of any Certificates, including the Series 2015 Certificates, over any other Certificates.

Pursuant to the Indenture, the Owner of this Certificate is entitled to receive, solely out of and to the extent available from the sources herein identified, on the Maturity Date specified above (or upon prior redemption), the Principal Amount specified above, together with interest thereon (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date of execution of this Certificate, unless this Certificate is executed prior to March 15, 2016, in which this Certificate shall bear interest from the Dated Date specified above, at the Interest Rate per annum specified above, payable on March 15 and September 15 each year, commencing on March 15, 2016 (each an "Interest Payment Date"), until the Principal Amount is paid.

The Series 2015 Certificates, including this Certificate, are subject to redemption prior to maturity under the circumstances, at the time or times, in the manner and upon payment of the amounts provided in the Indenture.

The principal of, premium, if any, and interest on the Series 2015 Certificates is payable in lawful money of the United States of America. Except as otherwise provided below, the principal of and premium, if any, on the Series 2015 Certificates is payable upon maturity or prior redemption thereof and upon presentation and surrender of the Series 2015 Certificates at the principal operations office of the Trustee; and the interest on the Series 2015 Certificates is payable by check or draft of the Trustee mailed to the Owners thereof at their addresses last appearing on the registration books maintained by the Trustee.

Interest on the Series 2015 Certificates is payable to the Owners of the Series 2015 Certificates as shown on the registration books kept by the Trustee as of the close of business on the first day of the calendar month in which an Interest Payment Date (or the Business Day immediately preceding such day, if such first day is not a Business Day) (the "Regular Record Date"), irrespective of any transfer of ownership of Series 2015 Certificates subsequent to the Regular Record Date and prior to such Interest Payment Date, or on a special record date fixed by the Trustee for the purpose of paying delinquent interest on the Series 2015 Certificates, irrespective of any transfer of ownership of Series 2015 Certificates subsequent to such special record date and prior to the date fixed by the Trustee for the payment of such interest. Notice of the special record date and of the date fixed for the payment of such interest is to be given by Electronic Means or by providing a copy thereof by first class mail postage prepaid at least ten days prior to the special record date to the Owner of each Series 2015 Certificate upon which interest will be paid, determined as of the close of business on the day preceding the giving of such notice.

Notwithstanding the foregoing: (i) the principal of, premium, if any, and interest on Series 2015 Certificates for which DTC is acting as Depository may be paid in accordance with the operating procedures of DTC or its nominee; (ii) if requested by the Owner of $1,000,000 or more in aggregate principal amount of Series 2015 Certificates, the interest on such Series 2015 Certificates may be paid by wire transfer of funds to a bank account designated by such Owner in written instructions to the Trustee; and (iii) the Trustee may make payments of interest on any Series 2015 Certificate by such alternative means as may be mutually agreed to between the Owner of such Series 2015 Certificate and the Trustee.

THIS CERTIFICATE IS PAYABLE SOLELY FROM THE BASE RENTALS PAYABLE TO THE TRUSTEE PURSUANT TO THE LEASE AND OTHER REVENUES AS DEFINED IN THE INDENTURE. NEITHER THE LEASE, THE CERTIFICATES, OR THE OBLIGATION OF THE STATE TO PAY BASE RENTALS OR ADDITIONAL RENTALS CONSTITUTES A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE STATE OR A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION WHATSOEVER OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NEITHER THE LEASE NOR THE CERTIFICATES HAVE DIRECTLY OR INDIRECTLY OBLIGATED THE STATE TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED FOR THE STATE'S THEN CURRENT FISCAL YEAR.

This Certificate may be exchanged by the Owner hereof for other authorized denominations of Series 2015 Certificates of the same maturity and interest rate, and may be transferred by the Owner of this Certificate, in the manner, subject to the limitations and upon payment of the charges provided in the Indenture and upon surrender of this Certificate.

The Trustee may deem and treat the Owner of this Certificate as the absolute owner hereof for all purposes (whether or not this Certificate shall be overdue), and any notice to the contrary shall not be binding upon the Trustee.

Reference is hereby made to the Indenture for an additional description of the nature and extent of the security for the Series 2015 Certificates, the funds and Revenues pledged to the payment thereof, the rights and remedies of the Owners of the Series 2015 Certificates, the manner in which the Indenture, the Lease and the Site Lease may be amended and other terms and conditions of the Series 2015 Certificates.

No provision of the Certificates, the Indenture, the Lease, the Site Lease or any other document or instrument shall be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Base Rentals and Additional Rentals 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 of the Colorado Constitution, Section 20 of Article X of the Colorado Constitution, or any other limitation or provision of the Colorado 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 Colorado 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

Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the State to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the State's then current Fiscal Year.

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE 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.

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 is authorized and issued under the authority of and in full conformity with the Constitution of the State of Colorado and all laws of the State of Colorado thereunto enabling.

It is hereby certified, recited and declared that all things, conditions and acts required by the constitution and the statutes of the State of Colorado and the Indenture to exist, to have happened and to have been performed precedent to and the execution and delivery of this Certificate do exist, have happened and have been performed in due time, form and manner as required by law.

This Certificate shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Lease or the Indenture until executed by the Trustee.

IN WITNESS WHEREOF, this Certificate has been executed with the manual signature of an authorized representative of the Trustee.

Execution Date: ______________

UMB BANK, n.a.,
as Trustee

By___________________________________
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto ____ this Certificate and hereby irrevocably constitutes and appoints ___________________________, attorney, to transfer this Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: ________________

Signature Guaranteed:

____

NOTICE: Signature(s) should be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

____

NOTICE: The Assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Certificate in every particular without alteration or any change whatever.

TRANSFER FEE MAY BE REQUIRED

(End of Form of Series 2015 Certificates)

EXHIBIT C

DESCRIPTION OF THE LEASED PROPERTY

Site:

Lot 1,
CBI Subdivision,
County of Mesa, State of Colorado.

The street address of the Site is 2797 Justice Drive, Grand Junction, Colorado 81506.

Improvements:

All improvements located on the approximately 3.15 acre Site, consisting of the Colorado Bureau of Investigation Grand Junction regional office and forensics laboratory, a building encompassing approximately 38,700 square feet constructed in 2007.

EXHIBIT D

PERMITTED ENCUMBRANCES

"*Permitted Encumbrances*," with respect to the Leased Property, means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Sublease, this Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease, the Sublease or this Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the State Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the easements, covenants, restrictions, liens and encumbrances to which title to the Leased Property was subject when leased to the State pursuant to the Lease as follows:

[Remainder of page intentionally left blank]

SCHEDULE B – Section 2

Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction:

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.

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.

4. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for the value the estate or interest or mortgage thereon covered by this Commitment.

6. Water rights, claims of title to water, whether or not these matters are shown by the Public Records.

7. All taxes and assessments, now or heretofore assessed, due or payable.

   NOTE: This tax exception will be amended at policy upon satisfaction and evidence of payment of taxes.

8. ITEM DELETED.

9. Reservations contained in the Patent

   From: The United States of America
   Recording Date: July 5, 1921
   Recording No: Book 252 at Page 400

   Which among other things recites as follows:

   The right of the proprietor of a vein or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted as provided by law.

10. Terms, conditions, provisions, agreements and obligations contained in the Contract Agreement and/or Subscription for stock, including rights of way as set forth below:

    Recording Date: November 1, 1944
    Recording No.: Book 336 at Page 43

11. Any tax, lien, fee, or assessment by reason of inclusion of the Land in the Grand Junction Rural Fire Protection District, as evidenced by instrument(s) recorded December 28, 1965 in Book 891 at Page 691.

12. Terms, conditions, provisions, agreements and obligations contained in the Resolution No. MCM 95-156 as set forth below:

Recording Date:	September 15, 1995
Recording No.:	Book 2172 at Page 776

13. Terms, conditions, provisions, agreements and obligations contained in the Sewer Hookup Permit as set forth below:

Recording Date:	October 27, 1995
Recording No.:	Book 2182 at Page 557

14. ITEM DELETED.

15. Terms, conditions, provisions, agreements and obligations contained in the Assignment of interest as set forth below:

Recording Date:	February 1, 2006
Recording No.:	Book 4086 at Page 779

16. Terms, conditions, restrictions, provisions, notes and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on the Plat(s) of Air Tech Park recorded August 8, 2006 at Reception No. 2331622 and CBI Subdivision recorded January 22, 2007 at Reception No. 2360128.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easement
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 903

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easements
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 904

19. Terms, conditions, provisions, agreements and obligations contained in the Easement as set forth below:

Recording Date:	August 8, 2006
Recording No.:	Book 4220 at Page 905

20. Terms, conditions, provisions, agreements and obligations contained in the Avigation Easement as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 906

21. Covenants, conditions and restrictions, which do not include a forfeiture or reverter clause, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: August 8, 2006
Recording No: Book 4220 at Page 908

22. Terms, conditions, provisions, agreements and obligations contained in the Development Improvements Agreement and/or Maintenance Guarantee as evidenced by Recording Memorandum as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 928

23. ITEM DELETED.

24. Terms, conditions, provisions, agreements and obligations contained in the Underground electric utility easement as set forth below:

Recording Date: December 26, 2007
Recording No.: Book 4575 at Page 751, at Reception No. 2417424

25. Terms, conditions, provisions, agreements and obligations contained in the Post-Construction Stormwater control operations and maintenance agreement as set forth below:

Recording Date: June 1, 2009
Recording No.: Book 4862 at Page 681, at Reception No. 2491235

26. Any existing leases or tenancies, and any and all parties claiming by, through or under said lessees.

27. Terms, conditions, provisions, agreements and obligations contained in the Indenture of Trust by UMB Bank, n.a., as Trustee, relating to State of Colorado Lease Purchase Agreement as set forth below:

Recording Date: _______
Recording No.: _______

28. Terms, conditions, provisions, agreements and obligations contained in the Site Lease Agreement by and between State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as site lessor, and UMB Bank, N.A., solely in its capacity as Trustee under the Indenture, as site lessee, as set forth below:

Recording Date: ______
Recording No.: ______

29. Terms, conditions, provisions, agreements and obligations contained in the Lease Purchase Agreement by and between UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and State of Colorado, acting by and through the State Treasurer, as lessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

30. Terms, conditions, provisions, agreements and obligations contained in the Sublease Agreement by and between State of Colorado, acting by and through the State Treasurer, as sublessor, and State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as sublessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

31. The effect of any failure to comply with the terms, covenants, conditions, and provisions of the Lease described or referred to in Schedule A.

END OF EXCEPTIONS

EXHIBIT E

FORM OF REQUISITION
FROM THE SERIES 2015 CERTIFICATES ACCOUNT
OF THE COSTS OF EXECUTION AND DELIVERY FUND

UMB Bank, n.a.
1670 Broadway
Denver, CO 80202
Attention: Corporate Trust and Escrow Services

State of Colorado
Bureau of Investigation
Grand Junction Regional Facility Lease Purchase Agreement
Certificates of Participation, Series 2015

Ladies and Gentlemen:

This Requisition is delivered by the State of Colorado, acting by and through the State Treasurer (the "State"), to UMB Bank, n.a. in its capacity as trustee (the "Trustee") under the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust dated as of September 29, 2015 (the "Indenture"). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

In accordance with the Indenture, there is hereby requisitioned from the Series 2015 Certificates Account of the Costs of Execution and Delivery Fund the total amount of $_____________ to pay the Costs of Execution and Delivery of the Series 2015 Certificates listed on the attached Payment Schedule.

It is hereby represented and certified that: (a) no Lease Event of Default or Lease Event of Nonappropriation has occurred and is continuing; and (b) the amount requested pursuant to this Requisition is due and payable, has not been the subject of any previous requisition and is a proper charge against the Series 2015 Certificates Account of the Costs of Execution and Delivery Fund.

The Trustee is hereby directed to pay the amounts to the payees, and deliver an IRS Form 1099 for the total amount paid to each such payee pursuant to this Requisition, at the addresses shown in the Payment Schedule attached hereto.

The undersigned hereby certifies that he/she is the State Representative and is authorized to execute and deliver this Requisition to the Trustee pursuant to this Indenture.

Dated: _________________, 2015

BY STATE REPRESENTATIVE

____
Print Name of State Representative

____
Signature of State Representative

PAYMENT SCHEDULE

TO

REQUISITION FROM THE SERIES 2015 CERTIFICATES ACCOUNT OF THE COSTS OF EXECUTION AND DELIVERY FUND

Payee	Address	Amount to be Paid

After recording please return to:

Dinsmore & Shohl LLP
1801 Broadway, Suite 1700
Denver, CO 80202
Attn: Donald R. Bieber, Esq.

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
SITE LEASE AGREEMENT

by and between

STATE OF COLORADO,
acting by and through the Department of Public Safety,
for the use and benefit of the Colorado Bureau of Investigation,
as Site Lessor

and

UMB BANK, n.a.,
acting solely in its capacity as Trustee under the Indenture identified herein,
as Site Lessee

Dated as of September 29, 2015

TABLE OF CONTENTS

[This Table of Contents is included for convenience of reference only]

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
SITE LEASE AGREEMENT

THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY SITE LEASE AGREEMENT (this "Site Lease"), dated as of September 29, 2015, is entered into by and between the State of Colorado, acting by and through the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation (the "Site Lessor"), as lessor, and UMB Bank, n.a., a national banking association duly organized and validly existing under the laws of the United States, acting solely in its capacity as trustee under the within-defined Indenture (the "Trustee"), as lessee.

PREFACE

All capitalized terms used herein have the meanings ascribed to them in Exhibit A to the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust dated as of September 29, 2015, entered into by the Trustee as trustee thereunder, as it may be amended or supplemented from time to time (the "Indenture").

RECITALS

A. The Site Lessor owns, or as of the Series 2015 Certificates Closing Date will own, the land and improvements thereon described in Exhibit A hereto (collectively, the "Leased Property").

B. The Site Lessor is authorized by applicable law to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease.

C. The State Treasurer, on behalf of the State and as authorized by the Enabling Legislation, will lease the Leased Property from the Trustee pursuant to the Lease.

D. The State Treasurer, on behalf of the State and as authorized by the Enabling Legislation, will sublease the Leased Property to the Site Lessor pursuant to the Sublease.

E. Proceeds of the Series 2015 Certificates executed and delivered pursuant to the Indenture will be used to refinance the existing lease of the Leased Property and pay the Costs of Execution and Delivery of the Series 2015 Certificates.

NOW, THEREFORE, 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
DEFINITIONS

Section 1.01. Definitions. All capitalized terms used but not otherwise defined in this Site Lease shall have the meanings ascribed to them in Exhibit A to the Indenture, as the same may be amended or supplemented from time to time, unless the context otherwise requires.

ARTICLE II
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 2.01. Certifications, Representations and Agreements of the Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations, warranties and agreements of the Trustee set forth in Section 8.03 of the Indenture are true and accurate and makes the same certifications, representations, warranties and agreements under this Site Lease as if set forth in full herein.

Section 2.02. Certifications, Representations and Agreements of the Site Lessor. The Site Lessor hereby certifies, represents and agrees that:

(a) The Site Lessor is, or as of the Series 2015 Certificates Closing Date will be, the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances as set forth in Exhibit B hereto.

(b) The Site Lessor is authorized under applicable law to lease the Leased Property to the Trustee pursuant to this Site Lease and to execute, deliver and perform its obligations under this Site Lease.

(c) The Site Lessor has received all approvals and consents required for the Site Lessor's execution, delivery and performance of its obligations under this Site Lease.

(d) This Site Lease has been duly executed and delivered by the Site Lessor and is enforceable against the Site Lessor in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State 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.

(e) The execution, delivery and performance of this Site Lease by the Site Lessor does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Site Lessor is now a party or by which the Site Lessor is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Site Lessor, or, except as specifically provided in the Lease, the Indenture, this Site Lease or the Sublease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Site Lessor.

(f) There is no litigation or proceeding pending or threatened against the Site Lessor affecting the right of the Site Lessor to execute, deliver or perform the obligations of the Site Lessor under this Site Lease.

(g) The Site Lessor will receive economic and other benefits by the leasing of the Leased Property by the Site Lessor pursuant to this Site Lease. The initial Leased Property leased pursuant to this Site Lease is, and any property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Site Lessor. The Site Lessor expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Site Lease Term.

(h) The Site Lessor is not aware of any current violation of any Requirement of Law relating to the Leased Property and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

ARTICLE III
DEMISING CLAUSE; ENJOYMENT OF THE LEASED PROPERTY

Section 3.01. Demising Clause. The Site Lessor demises and leases the Leased Property described in Exhibit A hereto to the Trustee, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Section 3.02. Enjoyment of the Leased Property. The Site Lessor covenants that, during the Site Lease Term, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by this Site Lease.

ARTICLE IV
SITE LEASE TERM; TERMINATION OF SITE LEASE

Section 4.01. Site Lease Term. 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:

(a) June 30, 2043;

(b) payment or defeasance of all outstanding Certificates pursuant to the Indenture and conveyance of the Trustee's leasehold interest in the Leased Property to the State pursuant to Article IX of the Lease; or

(c) conveyance of the Leased Property to the Site Lessor pursuant to Article IX of the Sublease.

Section 4.02. Effect of Termination of the 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 V
SITE LESSOR THIRD PARTY BENEFICIARY
OF CERTAIN STATE COVENANTS IN THE LEASE

Section 5.01. Generally. The Site Lessor and its successors and assigns are intended third-party beneficiaries of the covenants of the State in Articles VI and VII and Sections 10.02, 10.03(b) and 13.02(a) of the Lease and the covenants of the Trustee in Section 10.03(a) of the Lease (collectively, the "Site Lessor Protection Provisions").

Section 5.02. Termination of the Lease. If (a) the 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 or conveys an interest in this Site Lease, as a condition to such lease, sublease, assignment or conveyance, the lessee, sublessee, assignee or purchaser must execute an instrument that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third-party beneficiaries of such covenants, which covenants shall be reasonably satisfactory to the Site Lessor. Any provision of this Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under this Article V.

ARTICLE VI
RENT

Section 6.01. Rent. The Trustee shall not be obligated to pay any rent under this Site Lease. The consideration to the Site Lessor for the right of the Trustee to use the Leased Property during the Site Lease Term shall be the application by the Trustee of the proceeds of the Certificates to pay: (i) the purchase option price for the Leased Property as provided in the 2006 Lease; and (ii) the Costs of Execution and Delivery of the Series 2015 Certificates in accordance with Section 3.01 of the Indenture. The provisions of Article V hereof are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rentals in accordance with the Lease or an amount equal to the Additional Rentals that would have been paid under the Lease or under another instrument executed and delivered pursuant to Article V hereof.

ARTICLE VII
TITLE TO THE LEASED PROPERTY, ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to the Leased Property. Title to the Leased Property shall be held in the name of the Site Lessor, subject to this Site Lease, the Lease and the Sublease.

Section 7.02. Limitations on Disposition of and Encumbrances on the Leased Property. Except as otherwise permitted in this Site Lease, and except for Permitted Encumbrances, the Site Lessor shall not sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property.

Section 7.03. Granting of Easements. The Site Lessor shall, at the request of the Trustee or the State, consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 8.03 of the Lease.

Section 7.04. Subleasing and Other Grants of Use. The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor, in its capacity as Sublessee, pursuant to the Sublease. The Trustee is expressly authorized to lease or sublease the Leased Property, to sell or assign its leasehold interest in the Leased Property or to create other interests in the Leased Property for the benefit of any other Person in connection with the exercise of the Trustee's remedies under the Lease and the Indenture following a Lease Event of Default, a Lease Event of Nonappropriation or an Indenture Event of Default.

Section 7.05. Substitution of Other Property for the Leased Property. If the State substitutes other real property under the Lease for all or any portion of the Leased Property, the property so substituted under the Lease shall also be substituted for the Leased Property under this Site Lease.

Section 7.06. 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 8.07 of the Lease.

Section 7.07. Personal Property of the Trustee, the State and Others. The Trustee, the State and any other Person who has the right to use the Leased Property under this Site Lease, the Lease or the Sublease, 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 existing Leased Property or removal thereof would materially damage the existing Leased Property, in which case it will become part of the Leased Property.

ARTICLE VIII
UTILITIES

Section 8.01. Utilities. The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by the Site Lessor to the Leased Property on the date hereof on a continuous basis except for periods of repair. Pursuant to the Lease, the State has agreed to pay for such costs during the Lease Term, and pursuant to the Sublease, the Sublessee has also agreed to pay for such costs during the term of the Sublease. If (a) the Lease is terminated for any reason, (b) the Sublease is terminated, (c) this Site Lease is not terminated and (d) 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, shall agree to pay for or reimburse the Site Lessor for such costs, as applicable.

ARTICLE IX
GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided herein, and the Site Lessor and the Trustee, at the written request of the other, shall from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Site leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 9.02. Compliance With Requirements of Law. On and after the date hereof, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

Section 9.03. Participation in Legal Actions. At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action: in which the Trustee or the State asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under this Site Lease or the Lease or the State's execution, delivery and performance of its obligations under the Lease or the Sublease.

ARTICLE X
LIMITS ON OBLIGATIONS

Section 10.01. Disclaimer of Warranties. The Site Lessor makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Leased Property or any other representation or warranty with respect to the Leased Property. In no event shall the Site Lessor be liable for any incidental, special or consequential damages in connection with or arising out of this Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for herein.

Section 10.02. Financial Obligations of the Trustee Limited to the Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its negligence or willful misconduct, shall be limited to the Trust Estate.

ARTICLE XI
EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Site Lease Events of Default Defined. A "Site Lease Event of Default" 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 under the terms of this

Site Lease for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that:

(a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action is 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 contained in this Site Lease, 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 with respect to the Trustee shall be solely within the discretion of the Trustee.

Section 11.02. Remedies on Default. Whenever any Site Lease Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps:

(a) 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 XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(b) 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 10.02 hereof.

Any provision of this Site Lease to the contrary notwithstanding, (i) no merger of this Site Lease and the Lease or of the Sublease shall be deemed to occur as a result of the exercise of any remedy by the Site Lessor, (ii) so long as any of the Certificates are Outstanding and unpaid in accordance with the terms thereof, the Base Rentals payable to the Trustee under the Lease shall continue to be paid to the Trustee, except as provided in the Lease, and (iii) so long as any of the Certificates are Outstanding, this Site Lease shall not be terminated except as described in Section 4.01 hereof.

Section 11.03. No Remedy Exclusive. Subject to Section 10.02 hereof, no remedy herein conferred upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Site Lessor to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.04. Waivers. The Site Lessor may waive any Site Lease Event of Default 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 XII
TRANSFERS OF INTERESTS IN THE SITE LEASE OR THE LEASED PROPERTY

Section 12.01. Assignment by the Site Lessor. The Site Lessor shall not, except as provided by law and as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under this Site Lease.

Section 12.02. Transfer of the Trustee's Interest in the Site Lease and the Leased Property Prohibited. Except as otherwise permitted by Section 7.04 hereof with respect to subleasing, assignment or conveyance of the Trustee's leasehold interest or grants of use of the Site and Section 7.05 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 Site to any Person, whether now in existence or organized hereafter, without the written consent of the Site Lessor.

Section 12.03. Conveyance of the Trustee's Interest in the Leased Property to the State Pursuant to the Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the Lease or the Sublease, upon conveyance by the Trustee to the State of the Trustee's interest in the Leased Property pursuant to Article IX of the Lease, or conveyance by the Trustee to the Sublessee of the Trustee's interest in the Leased Property pursuant Article IX of the Sublease, this Site Lease shall terminate.

ARTICLE XIII
MISCELLANEOUS

Section 13.01. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the Lease and the Sublessee under the Sublease; subject, however, to the limitations set forth in Article XII hereof. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the land and the leasehold estate in the Leased Property under this Site Lease.

Section 13.02. 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 Exhibit A to the Indenture have the meanings assigned to them in Exhibit A and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 13.03. Acknowledgement of Lease and Sublease. The Trustee has received a copy of, and acknowledges the terms of, the Lease and the Sublease.

Section 13.04. Trustee, State and Site Lessor Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative, and for the Site Lessor by the Sublessee Representative, and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request.

Section 13.05. Notices. All notices, certificates or other communications to be given hereunder shall be sufficiently given and shall be deemed given when sent by Electronic Means or delivered or mailed by first-class mail, postage prepaid, addressed as follows:

to the Trustee: UMB Bank, n.a.
1670 Broadway
Denver, CO 80202
Telephone: (303) 764-3603 or (303) 839-2220
Facsimile: (303) 764-3699
E-mail: tamara.dixon@umb.com
Attention: Corporate Trust and Escrow Services

to the Site Lessor: Colorado Bureau of Investigation
690 Kipling St.
Lakewood, CO 80215
Telephone: (303) 239-4202
E-mail: Michael.Rankin@state.co.us
Attention: Director

with copies to: Colorado State Treasurer
140 State Capitol
200 East Colfax Avenue
Denver, CO 80203
Telephone: (303) 866-2441
E-mail: jon.forbes@state.co.us
Attention: Deputy State Treasurer

Colorado State Controller
5th Floor
1525 Sherman Street
Denver, CO 80203
Telephone: (303) 866-3765
Facsimile: (303) 866-4233
E-mail: bob.jaros@state.co.us
Attention: Bob Jaros

Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing this Site Lease or any related document or instrument, provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. 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 Site Lessor and the Trustee in accordance with Article IX of the Indenture; and the Trustee shall, if and when requested by the State, execute and deliver any amendment, change, modification or alteration to this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Special Counsel stating that such amendment, change, modification or alteration does not violate the Indenture or the Lease.

Section 13.08. Events Occurring on Non-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 13.09. Legal Description of the Site. The legal description of the Site subject to this Site Lease is set forth in Exhibit A hereto. If the Site is modified pursuant to the terms of this Site Lease or other land is substituted for land comprising the Site pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto shall be amended to describe the land comprising the Site of the Leased Property after such modification or substitution.

Section 13.10. Merger. The State, the Site Lessor and the Trustee intend that the legal doctrine of merger shall have no application to this Site Lease, the Lease or the Sublease and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the Lease by the Trustee and the State, or the Sublease by the State and the Site Lessor, or the exercise of any remedies by any party under this Site Lease, the Lease or the Sublease, shall operate to terminate or extinguish this Site Lease, the Lease or the Sublease.

Section 13.11. Severability. In the event that any provision of this Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

Section 13.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this 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 shall not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.14. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 13.15. 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 13.16. Value of Leased Property. The Site Lessor estimates that the value of the Leased Property as of the date this Site Lease is entered into is approximately $15,200,000.

Section 13.17. Governmental Immunity. Notwithstanding any other provisions of this Site Lease to the contrary, no term or condition of this Site Lease shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections or other provisions of the Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S., as now or hereafter amended.

Section 13.18. Non-Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.19. Employee Financial Interest. The signatories to this Site Lease represent that, to their knowledge, no employee of the Site Lessor has any personal or beneficial interest whatsoever in the service or property described herein.

[Remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY SITE LEASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE.

*Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

UMB BANK, n.a., solely in its capacity as trustee under the Indenture By Tamara L. Dixon, Authorized Signatory ______________________ *Signature	STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Public Safety Stan Hilkey, Executive Director ______________________ By Stan Hilkey, Executive Director
STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ______________________ Michael R. Karbach, Manager of Real Estate Programs	LEGAL REVIEW Cynthia H. Coffman, Attorney General By: ______________________ Heidi Dineen, Senior Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. Section 24-30-202 requires the State Controller to approve all State Contracts. This Site Lease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER Robert Jaros, MBA, CPA, JD By: ______________________ Robert Jaros, State Controller Date: September 29, 2015

[Signature Page to Site Lease Agreement]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Stan Hilkey, as Executive Director of the Colorado Department of Public Safety.

____
Notary Public

My Commission Expires:____________________

[SEAL]

STATE OF COLORADO)
) ss
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Tamara L. Dixon, as an authorized signatory of UMB Bank, n.a.

____
Notary Public

My commission expires:____________________

[SEAL]

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

Site:

Lot 1,
CBI Subdivision,
County of Mesa, State of Colorado.

The street address of the Site is 2797 Justice Drive, Grand Junction, Colorado 81506.

Improvements:

All improvements located on the approximately 3.15 acre Site, consisting of the Colorado Bureau of Investigation Grand Junction regional office and forensics laboratory, a building encompassing approximately 38,700 square feet constructed in 2007.

EXHIBIT B

PERMITTED ENCUMBRANCES

"*Permitted Encumbrances*" with respect to the Leased Property means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Sublease, the Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease, the Sublease or the Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the State Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the following easements, covenants, restrictions, liens and encumbrances to which title to the Leased Property was subject when leased to the State pursuant to the Lease:

[Remainder of page intentionally left blank]

SCHEDULE B – Section 2

Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction:

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.

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.

4. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for the value the estate or interest or mortgage thereon covered by this Commitment.

6. Water rights, claims of title to water, whether or not these matters are shown by the Public Records.

7. All taxes and assessments, now or heretofore assessed, due or payable.

   NOTE: This tax exception will be amended at policy upon satisfaction and evidence of payment of taxes.

8. ITEM DELETED.

9. Reservations contained in the Patent

   From: The United States of America
   Recording Date: July 5, 1921
   Recording No: Book 252 at Page 400

   Which among other things recites as follows:

   The right of the proprietor of a vein or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted as provided by law.

10. Terms, conditions, provisions, agreements and obligations contained in the Contract Agreement and/or Subscription for stock, including rights of way as set forth below:

    Recording Date: November 1, 1944
    Recording No.: Book 336 at Page 43

11. Any tax, lien, fee, or assessment by reason of inclusion of the Land in the Grand Junction Rural Fire Protection District, as evidenced by instrument(s) recorded December 28, 1965 in Book 891 at Page 691.

12. Terms, conditions, provisions, agreements and obligations contained in the Resolution No. MCM 95-156 as set forth below:

    Recording Date: September 15, 1995
    Recording No.: Book 2172 at Page 776

13. Terms, conditions, provisions, agreements and obligations contained in the Sewer Hookup Permit as set forth below:

    Recording Date: October 27, 1995
    Recording No.: Book 2182 at Page 557

14. ITEM DELETED.

15. Terms, conditions, provisions, agreements and obligations contained in the Assignment of interest as set forth below:

    Recording Date: February 1, 2006
    Recording No.: Book 4086 at Page 779

16. Terms, conditions, restrictions, provisions, notes and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on the Plat(s) of Air Tech Park recorded August 8, 2006 at Reception No. 2331622 and CBI Subdivision recorded January 22, 2007 at Reception No. 2360128.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

    In favor of: Air Tech Park Business Owners Association, Inc.
    Purpose: drainage easement
    Recording Date: August 8, 2006
    Recording No: Book 4220 at Page 903

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

    In favor of: Air Tech Park Business Owners Association, Inc.
    Purpose: drainage easements
    Recording Date: August 8, 2006
    Recording No: Book 4220 at Page 904

19. Terms, conditions, provisions, agreements and obligations contained in the Easement as set forth below:

    Recording Date: August 8, 2006
    Recording No.: Book 4220 at Page 905

20. Terms, conditions, provisions, agreements and obligations contained in the Avigation Easement as set forth below:

    Recording Date: August 8, 2006
    Recording No.: Book 4220 at Page 906

21. Covenants, conditions and restrictions, which do not include a forfeiture or reverter clause, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

    Recording Date: August 8, 2006
    Recording No: Book 4220 at Page 908

22. Terms, conditions, provisions, agreements and obligations contained in the Development Improvements Agreement and/or Maintenance Guarantee as evidenced by Recording Memorandum as set forth below:

    Recording Date: August 8, 2006
    Recording No.: Book 4220 at Page 928

23. ITEM DELETED.

24. Terms, conditions, provisions, agreements and obligations contained in the Underground electric utility easement as set forth below:

    Recording Date: December 26, 2007
    Recording No.: Book 4575 at Page 751, at Reception No. 2417424

25. Terms, conditions, provisions, agreements and obligations contained in the Post-Construction Stormwater control operations and maintenance agreement as set forth below:

    Recording Date: June 1, 2009
    Recording No.: Book 4862 at Page 681, at Reception No. 2491235

26. Any existing leases or tenancies, and any and all parties claiming by, through or under said lessees.

27. Terms, conditions, provisions, agreements and obligations contained in the Indenture of Trust by UMB Bank, n.a., as Trustee, relating to State of Colorado Lease Purchase Agreement as set forth below:

    Recording Date: _______
    Recording No.: _______

28. Terms, conditions, provisions, agreements and obligations contained in the Site Lease Agreement by and between State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as site lessor, and UMB Bank, N.A., solely in its capacity as Trustee under the Indenture, as site lessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

29. Terms, conditions, provisions, agreements and obligations contained in the Lease Purchase Agreement by and between UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and State of Colorado, acting by and through the State Treasurer, as lessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

30. Terms, conditions, provisions, agreements and obligations contained in the Sublease Agreement by and between State of Colorado, acting by and through the State Treasurer, as sublessor, and State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as sublessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

31. The effect of any failure to comply with the terms, covenants, conditions, and provisions of the Lease described or referred to in Schedule A.

END OF EXCEPTIONS

After recording please return to:

Dinsmore & Shohl LLP
1801 Broadway, Suite 1700
Denver, CO 80202
Attn: Donald R. Bieber, Esq.

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
LEASE PURCHASE AGREEMENT

by and between

UMB BANK, n.a.,
acting solely in its capacity as Trustee under the Indenture identified herein,
as Lessor

and

STATE OF COLORADO,
acting by and through the State Treasurer,
as Lessee

Dated as of September 29, 2015

9764899

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STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
LEASE PURCHASE AGREEMENT

THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY LEASE PURCHASE AGREEMENT, dated as of September 29, 2015 (this "Lease"), is entered into by and between UMB Bank, n.a., a national banking association duly organized and validly existing under the laws of the United States, acting solely in its capacity as trustee under the hereinafter defined Indenture (the "Trustee"), as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee.

PREFACE

All capitalized terms used herein have the meanings ascribed to them in Exhibit A to the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust dated as of September 29, 2015, entered into by the Trustee, as trustee thereunder, as it may be amended or supplemented from time to time (the "Indenture").

RECITALS

A. The State Treasurer, on behalf of the State, is authorized by the Enabling Legislation to enter into a lease-purchase agreement for up to 18 years to refinance the existing lease of the Colorado Bureau of Investigation's regional office and forensic laboratory located in Grand Junction, Colorado (as further defined in Exhibit A to the Indenture, the "Refinancing Project").

B. The State Treasurer, on behalf of the State, is further authorized by the Enabling Legislation to enter into ancillary agreements and instruments as are deemed necessary or appropriate in connection with the lease purchase agreement authorized pursuant to the Enabling Legislation, including, but not limited to, ground leases, easements or other instruments relating to the real property to be purchased.

C. The Enabling Legislation requires that any title to property received by the State on or prior to the expiration of the term of the lease purchase agreement shall be held for the use and benefit of the Colorado Bureau of Investigation.

D. As an element of the Refinancing Project, the Department of Public Safety will acquire the Leased Property for the use and benefit of the Colorado Bureau of Investigation by paying, or causing to be paid, the purchase option price therefor as provided in the existing 2006 Lease of the Leased Property by the Department of Public Safety. The Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, will then lease the Leased Property to the Trustee pursuant to the Site Lease, the Trustee will in turn lease the Leased Property to the State pursuant to this Lease and the State will sublease the Leased Property to the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, as sublessee (in such capacity, the "Sublessee"), pursuant to the Sublease.

E. Certificates of participation, evidencing undivided interests in the right to receive the Base Rentals paid under the Lease and certain other Revenues, will be executed and delivered pursuant to the Indenture, and the proceeds of the sale of the Series 2015 Certificates will be applied pursuant to the terms of the Indenture to fund the Refinancing Project.

NOW, THEREFORE, 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
DEFINITIONS

Section 1.01. Certain Funds and Accounts. All references herein to any funds and accounts shall mean the funds and accounts so designated which are established under the Indenture.

Section 1.02. Definitions. All capitalized terms used but not otherwise defined in this Lease shall have the meanings ascribed to them in Exhibit A to the Indenture, as the same may be amended or supplemented from time to time, unless the context otherwise requires.

ARTICLE II
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 2.01. Certifications, Representations and Agreements of the Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 8.03 of the Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 2.02. Certifications, Representations and Agreements of the State. The State certifies, represents and agrees, to the extent allowed by law and subject to renewal of this Lease and Appropriation as set forth in Article VI hereof, that:

(a) This Lease is a lease purchase agreement that is being entered into by the State Treasurer on behalf of the State to refinance the existing lease of the Leased Property, consisting of the Colorado Bureau of Investigation's Grand Junction regional office and forensic laboratory, in accordance with the Enabling Legislation.

(b) The total amount of the principal portion of the Base Rentals under this Lease attributable to the refinancing of the existing lease of the Leased Property will not exceed $11,000,000 plus reasonable and necessary administrative, monitoring and closing costs and interest, as authorized by the Enabling Legislation.

(c) The State is authorized under the Enabling Legislation to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(d) This Lease complies with the applicable provisions of the Enabling Legislation and all other applicable provisions of State law.

(e) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Refinancing Project pursuant to the Site Lease, this Lease, the Sublease and the Indenture.

(f) This Lease has been duly authorized, 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 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.

(g) The execution, delivery and performance of this Lease by the State does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this Lease, the Site Lease, the Sublease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State, except for Permitted Encumbrances as set forth in Exhibit B hereto.

(h) There is no litigation or proceeding pending or threatened against the State affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(i) The maximum Base Rentals 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 maximum Base Rentals payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess: (i) to continue this Lease beyond such Fiscal Year; (ii) to not exercise its right to terminate this Lease at any time through a Lease Event of Nonappropriation; or (iii) to exercise its option to purchase the Leased Property hereunder. In making such determinations, the State has given due consideration to the estimated current value of the Leased Property, the uses and purposes for which the Leased Property will be employed by the State and the Sublessee, the benefit to the citizens and inhabitants of the State and to the Sublessee by reason of the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease and the Sublease, the terms of this Lease and the Sublease governing the use of the Leased Property and the State's option to purchase the Trustee's leasehold interest in the Leased Property. The scheduled Lease Term and the final maturity of the Certificates do not exceed the weighted average useful life of the Leased Property.

(j) The State presently intends and expects to continue this Lease annually for the maximum Lease Term pursuant to this Lease, but this representation does not obligate or otherwise bind the State to do so.

(k) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(l) The certifications, representation and agreements set forth in the Tax Certificate executed by the State in connection with the execution and delivery of the Series 2015 Certificates are hereby incorporated in this Lease as if set forth in full in this subsection.

Section 2.03. State Acknowledgment of Certain Matters. The State acknowledges the Indenture, the execution and delivery by the Trustee of the Certificates pursuant to the Indenture and the establishment of the Trust Estate by the Trustee for the benefit of the Owners of the Certificates pursuant to the Indenture. The State also acknowledges the Trustee's authority to act on behalf of the Owners of the Certificates with respect to all rights, title and interests of the Trustee in, to and under this Lease, the Site Lease and the Leased Property. To the extent that the State has duties, obligations and rights under the Indenture, the State agrees to perform such duties and obligations, and acknowledges that it may exercise such rights so long as this Lease is in effect.

Section 2.04. Relationship of the State and the Trustee. The relationship of the State and the Trustee under this Lease is, and shall at all times remain, solely that of lessee and lessor. The State neither undertakes nor assumes any responsibility or duty to the Trustee or to any third party with respect to the Trustee's obligations relating to the Leased Property; and the Trustee neither undertakes nor assumes any responsibility or duty to the State or to any third party with respect to the State's obligations relating to the Leased Property. Notwithstanding any other provisions of this Lease: (a) the State and the Trustee are not, and do not intend to be construed to be, partners, joint venturers, members, alter egos, managers, controlling persons or other business associates or participants of any kind of either of the other, and the State and the Trustee do not intend to ever assume such status; and (b) the State and the Trustee shall not be deemed responsible for, or a participant in, any acts, omissions or decisions of the other.

ARTICLE III
DEMISING CLAUSE; ENJOYMENT OF THE LEASED PROPERTY

Section 3.01. Demising Clause. The State and the Trustee acknowledge that the Site Lessor owns the Leased Property and has leased the Leased Property to the Trustee pursuant to the Site Lease. The Trustee demises and leases the Trustee's leasehold estate under the Site Lease in the Leased Property to the State, and the State leases the Trustee's leasehold estate under the Site Lease in the Leased Property from the Trustee, in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 3.02. Enjoyment of the Leased Property. The Trustee covenants that, during the Lease Term, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE IV
LEASE TERM; TERMINATION OF THE LEASE TERM

Section 4.01. Lease Term.

(a) The Lease Term shall be comprised of the Initial Term and successive one-year Renewal Terms, subject to Section 4.01(b) below.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the day on which the final Base Rentals payment is made in accordance with Exhibit C hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, a Lease Event of Nonappropriation has occurred (provided that the Lease Term shall not be deemed to have been terminated if the Lease Event of Nonappropriation is cured as provided in Section 6.04(c) hereof);

(iii) the purchase of the Trustee's leasehold interest in the Leased Property by the State or the Sublessee pursuant to Article IX hereof; or

(iv) termination of this Lease following a Lease Event of Default in accordance with Section 12.02(a) hereof.

Section 4.02. Effect of Termination of the 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 discharged in full; and

(b) if the termination occurs because of the occurrence of a Lease Event of Nonappropriation or a Lease 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 cause the Sublessee to vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Base Rentals or Additional Rentals 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 Rentals to the Trustee and Additional Rentals to the Person entitled thereto.

Upon termination of the Lease Term, any moneys received by the Trustee in excess of the amounts necessary to terminate and discharge the Indenture shall be paid to the State.

The State shall not have the right to terminate this Lease due to a default by the Trustee under this Lease.

ARTICLE V
[RESERVED]

ARTICLE VI
PAYMENTS BY THE STATE; LEASE EVENT OF NONAPPROPRIATION

Section 6.01. Base Rentals.

(a) ***Obligation to Pay Base Rentals***. The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rentals directly to the Trustee during the Lease Term in immediately available funds. The Base Rentals shall be comprised of the Principal Portion and the Interest Portion, and shall be payable in the amounts and on the Base Rentals Payment Dates set forth in Exhibit C hereto. The amounts payable as the Interest Portion are designated and paid as, and represent payment of, interest. The Base Rentals set forth in Exhibit C hereto shall be recalculated by the State and provided to the Trustee in the event of the issuance of Additional Certificates as provided in the Indenture.

(b) ***Credits Against Base Rentals***. Any moneys in the Base Rentals Fund that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered shall be credited against the amount of the total Base Rentals payable on any Base Rentals Payment Date. Thirty (30) days prior to each Base Rentals Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in the Base Rentals Fund that will be so credited against the total Base Rentals payable on such Base Rentals Payment Date. If further amounts that are to be credited against the Base Rentals payable on such Base Rentals Payment Date accrue during such 30-day period, such amounts shall be carried over to be applied as a reduction of the total Base Rentals payable on the next succeeding Base Rentals Payment Date.

(c) ***Application of Base Rentals***. Upon receipt by the Trustee of each payment of Base Rentals, the Trustee shall apply the amount of such payment:

(i) FIRST, each payment of Base Rentals designated and paid as the Interest Portion, plus the amount of any past due interest on the Certificates, shall be applied against the interest due or overdue, as the case may be, on the Certificates; and

(ii) SECOND, the amount of each payment of Base Rentals designated and paid as the Principal Portion shall be applied against the principal due or overdue, as the case may be, on the Certificates.

(d) ***Manner of Payment***. The Base Rentals, for which an Appropriation has been effected by the State, and, if paid, the Lease Purchase Option Price, shall be paid or prepaid by the State to the Trustee at its corporate trust office by wire transfer of federal funds, certified funds or other method of payment acceptable to the Trustee in lawful money of the United States of America.

Section 6.02. Additional Rentals. The State shall, subject only to Sections 7.01(b) and 8.02(b) hereof and the other Sections of this Article, pay Additional Rentals directly to the Persons to which such Additional Rentals are 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 6.03. Unconditional Obligations. The obligation of the State to pay Base Rentals during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rentals during the Lease Term shall, subject only to Sections 7.01(b), 8.02(b) and 14.17 hereof and the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05, 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 Base Rentals and Additional Rentals when due; the State shall not withhold any Base Rentals or Additional Rentals payable during the Lease Term pending final resolution of such dispute; and shall not assert any right of setoff or counterclaim against its obligation to pay Base Rentals or Additional Rentals; provided, however, that the payment of any Base Rentals and Additional Rentals 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 Base Rentals and Additional Rentals during the Lease Term.

Section 6.04. Lease Event of Nonappropriation.

(a) The Executive Director of the Colorado Bureau of Investigation or such other officer of the Colorado Bureau of Investigation who is responsible for formulating budget proposals for the Colorado Bureau of Investigation with respect to payment of Base Rentals and Additional Rentals is hereby directed to: (i) estimate the Additional Rentals payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Lease Term; and (ii) include in each annual budget proposal submitted to the Colorado General Assembly during the Lease Term the entire amount of Base Rentals scheduled to be paid and the Additional Rentals estimated to be payable during the next ensuing Fiscal Year. It is the intention of the State that any decision to continue or to terminate this Lease shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the State.

(b) A Lease Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to Section 6.04(c) below, on June 30 of any Fiscal Year if the Colorado General Assembly has, as of such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding Section 6.04(b) above, a Lease Event of Nonappropriation under such subsection shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid a Lease Event of Nonappropriation under Section 6.04(b) above, and (ii) the State has paid all Base Rentals and Additional Rentals due during the period from June 30 through the date of such appropriation or authorization.

(d) If the State shall determine to exercise its annual right to terminate this Lease effective on June 30 of any Fiscal Year, or fails to budget sufficient moneys to pay the Base Rentals and estimated Additional Rentals for the ensuing Fiscal Year, the State shall give written notice to such effect to the Trustee by the earlier of May 15 of such Fiscal Year or 30 days from the adoption of its budget; provided, however, that a failure to give such notice shall not (i) constitute a Lease Event of Default or an Indenture Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(e) The State shall furnish the Trustee with copies of all appropriation or expenditure authorization measures relating to Base Rentals, Additional Rentals or the Lease Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute a Lease Event of Default or an Indenture Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

Section 6.05. Limitations on Obligations of the State.

(a) Payment of Base Rentals and Additional Rentals and all other payments by the State shall constitute currently appropriated expenditures of the State. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments hereunder. The obligations of the State to pay Base Rentals and Additional Rentals and all other obligations of the State hereunder are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the Colorado 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 Colorado Constitution. In the event the State does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Leased Property.

(b) The State's obligations under this Lease shall be subject to the State's annual right to terminate this Lease upon the occurrence of a Lease Event of Nonappropriation.

(c) The Certificates evidence undivided interests in the right to receive Revenues and shall be payable solely from the Trust Estate. No provision of the

Certificates, the Indenture, this Lease, the Sublease, the Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Base Rentals and Additional Rentals 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 of the Colorado Constitution, Section 20 of Article X of the Colorado Constitution or any other limitation or provision of the Colorado 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 Colorado 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 Colorado Constitution.

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Trustee's leasehold interest in the Leased Property pursuant to Article IX hereof.

(e) No provision of this Lease shall be construed to pledge or to create a lien on any class or source of moneys of the State, nor shall any provision of this Lease restrict the future issuance of any obligations of the State payable from any class or source of moneys of the State; provided, however, that the restrictions set forth in the Indenture shall apply to the execution and delivery of the Series 2015 Certificates and any Additional Certificates.

ARTICLE VII
TAXES AND UTILITIES; INSURANCE;
MAINTENANCE AND OPERATION OF THE LEASED PROPERTY

Section 7.01. Taxes, Utilities and Insurance.

(a) Except to the extent such expenses are paid by the Sublessee pursuant to the Sublease, the State shall pay, as Additional Rentals, 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 lesser of (A) the full replacement value of the Leased Property, or (B) the outstanding principal amount of the Certificates; and

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessee in connection with the Leased Property and this Lease and the Sublease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 *et seq*., or any successor statute, in an amount not less than the amounts for which the State and the Sublessee may be liable to third parties thereunder; and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the 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. However, if the State or the Sublessee shall first notify the Trustee and the State (in the case of the Sublessee) of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith, and at its expense, contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, subject to appropriation, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the State or the Sublessee, the Trustee shall cooperate fully with the State and the Sublessee in any such contest.

(c) Insurance policies maintained in accordance with this Section that are provided by private insurance companies shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each collision, comprehensive, replacement or casualty insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear and provide that the Trustee is an additional insured; (iii) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee in accordance with the terms of the policy; (iv) each insurance policy shall be provided by a commercial insurer rated "A" by A.M. Best & Company or in the two highest rating categories by Standard & Poor's Ratings Services and Moody's Investors Service, Inc.; (v) full payment of insurance proceeds under any collision, comprehensive, replacement or casualty insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or the Sublessee; and (vi) each casualty or property damage insurance policy shall explicitly waive any co-insurance penalty.

(d) The State may, in its discretion, provide any of the insurance or other similar coverage required by this Section under blanket insurance policies or self-insurance programs, or in any other manner which is acceptable to the Trustee, which insure or provide coverage for not only the risks required to be insured hereunder but also other similar risks.

(e) The Trustee shall not have any responsibility for verifying the sufficiency of the insurance required hereunder.

(f) Verification in a form suitable to the Trustee of all insurance policies, self-insurance programs or other means of providing for the coverage of the Leased Property required by this Section shall be provided to the Trustee upon request.

Section 7.02. Maintenance and Operation of the 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 8.05 and 8.07 hereof.

ARTICLE VIII
TITLE TO THE LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE AND PERSONAL PROPERTY

Section 8.01. Title to the Leased Property; Title Insurance. Title to the Leased Property shall be held in the name of the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation. The Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, shall enter into the Site Lease, as site lessor, with the Trustee, as site lessee. The Trustee shall enter into this Lease, as lessor, with the State, as lessee. The State shall enter into the Sublease, as sublessor, with the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, as sublessee.

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, this Lease and the Sublease, until the Trustee's leasehold estate in the Leased Property under the Site Lease is conveyed or otherwise disposed of as provided herein.

The Trustee shall be provided with a Leasehold Owner's title insurance policy insuring the Trustee's leasehold estate under the Site Lease, subject only to Permitted Encumbrances, with such policy to be in an amount not less than the aggregate principal amount of the Outstanding Certificates or such lesser amount as shall be the maximum insurable value of the Leased Property. Such policy, or a binding commitment therefor, shall be provided to the Trustee concurrently with the issuance of the Series 2015 Certificates.

Section 8.02. Limitations on Disposition of and Encumbrances on the Leased Property.

(a) Except as otherwise permitted in this Article or Articles IX or XIII 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 Section 8.02(a) above, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this Section, the Sublessee that, in the opinion of Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, subject to appropriation, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee shall cooperate fully with the State and the Sublessee in any such contest.

Section 8.03. Granting of Easements. As long as no Lease Event of Nonappropriation, Indenture Event of Default or Lease Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Lease, the Indenture and the Sublease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Lease, the Indenture and the Sublease 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 Section 8.03(a) or (b) above, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 8.04. Subleasing and Other Grants of Use. In accordance with the Enabling Legislation, the State, acting by and through the State Treasurer, shall sublease the Leased Property to the State of Colorado, acting by and through the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, pursuant to the Sublease. The State shall not sublease all or any portion of the Leased Property to any Person other than the Sublessee unless the following conditions are satisfied:

(a) the State receives an opinion that any such sublease or grant of use by the State complies with the terms and provisions of the Enabling Legislation;

(b) the sublease or grant of use by the State complies with the covenant in Section 10.04 hereof;

(c) the obligations of the State under this Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding the Sublease or any other sublease or grant of use;

(d) unless otherwise consented to by the Trustee, any such sublease shall provide that it will terminate in the event this Lease terminates for any reason; and

(e) the State shall furnish or cause to be furnished to the Trustee a copy of any agreement for such sublease, grant or use.

Section 8.05. Modification of the Leased Property. The State and the Sublessee, at their 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; and (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

Section 8.06. Substitution of Other Property for the 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, and upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution:

(a) a certificate by the State certifying (which certification may be given based and in reliance upon certifications by the Sublessee) that, following such substitution, either (i) the Fair Market Value of the substituted property 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 the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs;

(b) the Trustee shall be provided with a Leasehold Owner's title insurance policy insuring the Trustee's leasehold estate in the substituted property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Certificates Outstanding at the time of such substitution or such lesser amount as shall be the maximum insurable value of the Leased Property;

(c) a certificate by the State or the Sublessee 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 or the Sublessee as the property for which it was substituted;

(d) an opinion of Special Counsel to the effect that such substitution is in compliance with the Enabling Legislation, is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 10.04 hereof; and

Section 8.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property, and any excess shall be deposited in the Base Rentals Fund.

(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 as Additional Rentals to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the State shall pay the remainder of such costs as Additional Rentals;
>
> (ii) to substitute property for the affected portion of the Leased Property pursuant to Section 8.06 hereof, in which case the Net Proceeds shall be delivered to the 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; provided, however, that if the State elects to proceed under this Section 8.07(c)(iii), then a Lease Event of Nonappropriation shall be deemed to have occurred and the Trustee may pursue remedies available to it following a Lease Event of Nonappropriation.

(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 Base Rentals and Additional Rentals hereunder except as otherwise provided in Section 8.07(c)(i) above.

(f) Any repair, restoration, modification, improvement or replacement of any portion of the Leased Property paid for in whole or in part out of such Net Proceeds shall be included as part of the Leased Property under this Lease, the Site Lease, the Sublease and the Indenture.

Section 8.08. Personal Property of the State or the Sublessee. The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or its removal would materially damage the Leased Property, in which case it shall become part of the Leased Property.

ARTICLE IX
STATE'S PURCHASE OPTION; CONVEYANCE TO THE STATE AT END OF LEASE TERM; SUBLESSEE'S PURCHASE OPTION

Section 9.01. State's Purchase Option. The State is hereby granted the option, on any date, to pay the then-applicable Lease Purchase Option Price for the purpose of terminating this Lease in whole and purchasing the Trustee's leasehold interest in the Leased Property. The "Lease Purchase Option Price" shall be an amount sufficient to: (i) defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture (or, if the Certificates are then subject to optional redemption, to redeem all the Certificates in accordance with the redemption provisions of the Indenture); and (ii) pay all Additional Rentals payable through the date on which the Trustee's interest in the Leased Property is conveyed to the State or its designee pursuant to this Lease, 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 Certificates; provided, however, that the Lease Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to Section 6.01 of the Indenture) that are available for deposit in the defeasance escrow account established pursuant to Section 6.01 of the Indenture for the then Outstanding Certificates.

(a) In order to exercise its option to purchase the Leased Property pursuant to this Section, the State shall: (i) give written notice to the Trustee (A) stating that the State intends to purchase the Trustee's leasehold interest in Leased Property pursuant to this Section, (B) identifying the source of funds it will use to pay the Lease Purchase Option Price and (C) specifying a closing date for such purpose which is at least 30 days and not more than 90 days after the delivery of such notice; and (ii) pay the Lease Purchase Option Price to the Trustee in immediately available funds on the closing date. If the State has given notice to the Trustee of its intention to purchase the Leased Property but does not deposit the amounts with the Trustee on the date specified in such notice, the State shall continue to pay Base Rentals which have been specifically appropriated for such purpose as if no such notice had been given. The Trustee may waive the right to receive any advance notice and may agree to a shorter notice period than set forth above.

(b) In accordance with the Enabling Legislation, upon conveyance of the Trustee's leasehold interest in the Leased Property to the State, the title to the Leased Property shall be held by the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation.

Section 9.02. Conveyance of Trustee's Interest in the Leased Property. At the closing of any purchase of the Trustee's interest in the Leased Property pursuant to Section 9.01 hereof, the Trustee shall execute and deliver to the State and the Site Lessor all necessary documents assigning, transferring and conveying to the State the Trustee's leasehold interest in the Leased Property, subject only to the following: (a) Permitted Encumbrances, other than this Lease, the Indenture, the Sublease and the Site Lease; (b) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and the Site Lease or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Lease; (c) any lien or encumbrance created or suffered to exist by action of the State or the Sublessee; and (d) those liens and encumbrances, if any, to which the Leased Property purchased by the State pursuant to this Article was subject when such Leased Property was leased by the Trustee pursuant to the Site Lease.

Section 9.03. Conveyance of Trustee's Interest in the Leased Property to the State at the End of the Scheduled Lease Term. If all Base Rentals scheduled to be paid through the end of the Lease Term described in Section 4.01(b)(i) hereof shall have been paid, all Additional Rentals payable through the date of conveyance of the Trustee's interest in the Leased Property to the State pursuant to this Section shall have been paid, all the Certificates have been paid or defeased in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease shall have been paid, the Leased Property shall be assigned, transferred and conveyed to the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation at the end of the Lease Term in the manner described in Section 9.02 hereof without any additional payment by the State.

Section 9.04. Sublessee's Purchase Option. Upon the occurrence of a Lease Event of Default or a Lease Event of Nonappropriation, the Sublessee has the option to purchase the Trustee's interest in the Leased Property as provided in the Sublease. The Trustee agrees to notify the Sublessee upon the occurrence of a Lease Event of Default or a Lease Event of Nonappropriation and to comply with the provisions of Article IX of the Sublease.

ARTICLE X
GENERAL COVENANTS

Section 10.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Lease Event of Nonappropriation or Lease Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein, and the State and the Trustee, at the written request of the other, shall from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 10.02. 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 that 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. Section 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. Section 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 Requirement 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 Requirement 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 or 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 Requirement of Law.

Section 10.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rentals hereunder), the Trustee shall join and cooperate fully in any legal action: (i) in which the State or the Sublessee asserts its right to the enjoyment of the Leased Property; (ii) 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 the Sublessee; or (iii) that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under this Lease or the Sublessee's execution, delivery and performance of its obligations under the Site Lease or the Sublease.

(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 Rentals hereunder), join and cooperate fully in any legal action: (i) in which the Trustee asserts its ownership of or interest in the Leased Property; (ii) 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 (iii) that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Lease by the Trustee or the performance of its obligations hereunder or thereunder.

Section 10.04. Tax Covenant. The State covenants for the benefit of the Owners of the Certificates that it will not take any action or omit to take any action with respect to the Certificates, the proceeds thereof, any other funds of the State or any facilities, equipment or other property financed or refinanced with the proceeds of the Certificates (except for the possible exercise of the State's right to terminate this Lease as provided herein) if such action or omission (a) would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (b) would cause interest on the Certificates to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent such interest is required to be included in adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. Subject to the State's right to terminate this Lease as provided herein, the foregoing covenant 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 State in fulfilling the above covenant under the Tax Code and Colorado law have been met.

In addition, the State covenants that its direction of investments pursuant to the Indenture shall be in compliance with the procedures established by the Tax Certificate to the extent required to comply with its covenants contained in the foregoing provisions of this Section. The State hereby agrees that, to the extent necessary, it will, during the Lease Term, pay to the Trustee such sums as are required for the Trustee to pay the amounts due and owing to the United States Treasury as rebate payments. Any such payment shall be accompanied by directions to the Trustee to pay such amounts to the United States Treasury. Any payment of State moneys pursuant to the foregoing sentence shall be Additional Rentals for all purposes of this Lease.

The State shall execute the Tax Certificate in connection with the execution and delivery of this Lease, which Tax Certificate shall provide further details in respect of the State's tax covenant herein.

Section 10.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rentals the reasonable fees and expenses of the Trustee in connection with this Lease, the Leased Property, the Indenture, the Certificates, the Site Lease, the Sublease or any matter related thereto as set forth in Exhibit D hereto, 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. 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. This agreement to reimburse the Trustee's legal expenses is not an indemnification and it is expressly understood that the State is not indemnifying the Trustee, and such reimbursement of the Trustee's reasonable fees and expenses is limited, as applicable, to Net Proceeds or moneys, if any, for which an Appropriation has been effected.

Section 10.06. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture).

ARTICLE XI
LIMITS ON OBLIGATIONS OF THE TRUSTEE

Section 11.01. 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 damages in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

Section 11.02. Financial Obligations of the Trustee Limited to the Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE XII
EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Lease Events of Default Defined.

(a) Any of the following shall constitute a "Lease Event of Default":

(i) failure by the State to pay any specifically appropriated Base Rentals to the Trustee on or before the applicable Base Rentals Payment Date; provided, however, that a failure by the State to pay Base Rentals on the applicable Base Rentals 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 date on which principal or interest is payable on the Certificates;

(ii) failure by the State to pay when due any Additional Rentals for which funds have been specifically appropriated, or if such Additional Rentals are payable to any 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 a Lease Event of Nonappropriation in accordance with Section 4.02(b) hereof;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 13.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 13.02(b) hereof; or

(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.

(b) The provisions of Section 12.01(a) above are subject to the following limitations:

(i) the State shall be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except as otherwise expressly provided in Section 4.02(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 Base Rentals and Additional Rentals 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 12.02. Remedies on Default. Whenever any Lease 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 vacate the Leased Property in the manner provided in Section 4.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessee's purchase option under the Sublease;

(c) recover any of the following from the State that is not recovered pursuant to Section 12.02(b) above:

(i) the portion of Base Rentals and Additional Rentals payable pursuant to Section 4.02(b)(ii) hereof;

(ii) the portion of Base Rentals for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and

(iii) the portion of the Additional Rentals for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rentals are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 6.05 and 12.03 hereof.

The Trustee shall also be entitled, upon any Lease Event of Default, to any moneys in any funds or accounts created under the Indenture (except the Rebate Fund or any defeasance escrow accounts).

Section 12.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of a Lease Event of Default only as to the State's liabilities described in Section 12.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of a Lease Event of Nonappropriation, or a failure to vacate the Leased Property following a Lease Event of Nonappropriation, only to the extent provided in Section 12.02(c)(i) hereof.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 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 12.05. Waivers.

(a) The Trustee may waive any Lease Event of Default 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 Lease Event of Default described in Section 12.01(a)(i) hereof, any subsequent payment by the State of Base Rentals then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XIII
TRANSFERS OF INTERESTS IN THE LEASE OR THE LEASED PROPERTY

Section 13.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rentals 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 the previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 13.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 hereof with respect to substitutions of other property for Leased Property and Section 13.02(b) below with respect to transfers of the Leased Property following termination of this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding Section 13.02(a) above, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article IX hereof.

ARTICLE XIV
MISCELLANEOUS

Section 14.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. The Sublessee and its successors and assigns are intended third party beneficiaries of the covenants of the State in Articles VII and VIII and Sections 10.02, 10.03(b) and 12.02 hereof and of the Trustee in Section 10.03(a) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the land comprising the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 14.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in Exhibit A to the Indenture include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 14.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

Section 14.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, the State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and for the Sublessee by the Sublessee Representative, and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request.

Section 14.05. Notices. All notices, certificates or other communications to be given hereunder shall be sufficiently given and shall be deemed given when sent by Electronic Means or delivered or mailed by first-class mail, postage prepaid, addressed as follows:

to the Trustee:	UMB Bank, n.a. 1670 Broadway Denver, CO 80202 Telephone: (303) 764-3603 or (303) 839-2220 Facsimile: (303) 764-3699 E-mail: tamara.dixon@umb.com Attention: Corporate Trust and Escrow Services
if to the State:	Colorado State Treasurer 140 State Capitol 200 East Colfax Avenue Denver, CO 80203 Telephone: (303) 866-2441 Facsimile: (303) 866-2123 E-mail: jon.forbes@state.co.us Attention: Deputy State Treasurer
with a copy to:	Colorado State Controller 5th Floor 1525 Sherman Street Denver, CO 80203 Telephone: (303) 866-3765 Facsimile: (303) 866-4233 E-mail: bob.jaros@state.co.us Attention: Bob Jaros
if to the Sublessee:	Colorado Bureau of Investigation 690 Kipling St. Lakewood, CO 80215 Telephone: (303) 239-4202 E-mail: Michael.Rankin@state.co.us Attention: Director

Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument, provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 14.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee in accordance with Article IX of the Indenture. The Trustee shall, if and when requested by the State, execute and deliver any amendment, change, modification or alteration to this Lease proposed by the State upon delivery to the Trustee of an opinion of Special Counsel stating that such amendment, change, modification or alteration does not violate the Indenture or this Lease.

Section 14.08. Events Occurring on Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Lease.

Section 14.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto shall be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 14.10. Merger. The State, the Trustee and the Sublessee intend that the legal doctrine of merger shall have no application to this Lease, the Site Lease or the Sublease, and that none of the execution and delivery of this Lease by the Trustee and the State, the Site Lease by the Sublessee and the Trustee or the Sublease by the State and the Sublessee, or the exercise of any remedies by any party under this Lease, the Site Lease or the Sublease, shall operate to terminate or extinguish this Lease, the Site Lease or the Sublease.

Section 14.11. Governmental Immunity. Notwithstanding any other provisions of this Lease to the contrary, no term or condition of this Lease shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections or other provisions of the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 *et seq.*, as now or hereafter amended.

Section 14.12. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Base Rentals and Additional Rentals hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Trustee's interest in 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 14.13. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Lease have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions of the Indenture.

Section 14.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 14.15. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 14.16. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available by the Colorado General Assembly.

Section 14.17. 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 14.18. Vendor Offset. Pursuant to C.R.S. Sections 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. Section 39-21-101 *et seq.*; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 14.19. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 14.20. Execution in Counterparts. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY LEASE PURCHASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE.

*Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

UMB BANK, n.a., solely in its capacity as trustee under the Indenture By Tamara L. Dixon, Authorized Signatory ______________________ *Signature	STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Treasury ______________________ By Jonathan Forbes, Deputy State Treasurer
STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ______________________ Michael R. Karbach, Manager of Real Estate Programs	LEGAL REVIEW Cynthia H. Coffman, Attorney General By: ______________________ Heidi Dineen, Senior Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. Section 24-30-202 requires the State Controller to approve all State Contracts. This Lease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER Robert Jaros, MBA, CPA, JD By: ______________________ Robert Jaros, State Controller Date: September 29, 2015

[Signature Page to Lease Purchase Agreement]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Tamara L. Dixon, as an authorized signatory of UMB Bank, n.a.

____
Notary Public

My commission expires:______________________

[SEAL]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Jonathan Forbes, Deputy State Treasurer, acting on behalf of the State of Colorado.

____
Notary Public

My commission expires:______________________

[SEAL]

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

Site:

Lot 1,
CBI Subdivision,
County of Mesa, State of Colorado.

The street address of the Site is 2797 Justice Drive, Grand Junction, Colorado 81506.

Improvements:

All improvements located on the approximately 3.15 acre Site, consisting of the Colorado Bureau of Investigation Grand Junction regional office and forensics laboratory, a building encompassing approximately 38,700 square feet constructed in 2007.

EXHIBIT B

PERMITTED ENCUMBRANCES

"*Permitted Encumbrances*" with respect to the Leased Property means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Sublease, the Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease, the Sublease or the Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the State Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the following easements, covenants, restrictions, liens and encumbrances to which title to the Leased Property was subject when leased to the State pursuant to the Lease:

[Remainder of page intentionally left blank]

SCHEDULE B – Section 2

Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction:

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.

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.

4. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for the value the estate or interest or mortgage thereon covered by this Commitment.

6. Water rights, claims of title to water, whether or not these matters are shown by the Public Records.

7. All taxes and assessments, now or heretofore assessed, due or payable.

   NOTE: This tax exception will be amended at policy upon satisfaction and evidence of payment of taxes.

8. ITEM DELETED.

9. Reservations contained in the Patent

   From: The United States of America
   Recording Date: July 5, 1921
   Recording No: Book 252 at Page 400

   Which among other things recites as follows:

   The right of the proprietor of a vein or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted as provided by law.

10. Terms, conditions, provisions, agreements and obligations contained in the Contract Agreement and/or Subscription for stock, including rights of way as set forth below:

    Recording Date: November 1, 1944
    Recording No.: Book 336 at Page 43

11. Any tax, lien, fee, or assessment by reason of inclusion of the Land in the Grand Junction Rural Fire Protection District, as evidenced by instrument(s) recorded December 28, 1965 in Book 891 at Page 691.

12. Terms, conditions, provisions, agreements and obligations contained in the Resolution No. MCM 95-156 as set forth below:

Recording Date:	September 15, 1995
Recording No.:	Book 2172 at Page 776

13. Terms, conditions, provisions, agreements and obligations contained in the Sewer Hookup Permit as set forth below:

Recording Date:	October 27, 1995
Recording No.:	Book 2182 at Page 557

14. ITEM DELETED.

15. Terms, conditions, provisions, agreements and obligations contained in the Assignment of interest as set forth below:

Recording Date:	February 1, 2006
Recording No.:	Book 4086 at Page 779

16. Terms, conditions, restrictions, provisions, notes and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on the Plat(s) of Air Tech Park recorded August 8, 2006 at Reception No. 2331622 and CBI Subdivision recorded January 22, 2007 at Reception No. 2360128.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easement
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 903

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easements
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 904

19. Terms, conditions, provisions, agreements and obligations contained in the Easement as set forth below:

Recording Date:	August 8, 2006
Recording No.:	Book 4220 at Page 905

20. Terms, conditions, provisions, agreements and obligations contained in the Avigation Easement as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 906

21. Covenants, conditions and restrictions, which do not include a forfeiture or reverter clause, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: August 8, 2006
Recording No: Book 4220 at Page 908

22. Terms, conditions, provisions, agreements and obligations contained in the Development Improvements Agreement and/or Maintenance Guarantee as evidenced by Recording Memorandum as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 928

23. ITEM DELETED.

24. Terms, conditions, provisions, agreements and obligations contained in the Underground electric utility easement as set forth below:

Recording Date: December 26, 2007
Recording No.: Book 4575 at Page 751, at Reception No. 2417424

25. Terms, conditions, provisions, agreements and obligations contained in the Post-Construction Stormwater control operations and maintenance agreement as set forth below:

Recording Date: June 1, 2009
Recording No.: Book 4862 at Page 681, at Reception No. 2491235

26. Any existing leases or tenancies, and any and all parties claiming by, through or under said lessees.

27. Terms, conditions, provisions, agreements and obligations contained in the Indenture of Trust by UMB Bank, n.a., as Trustee, relating to State of Colorado Lease Purchase Agreement as set forth below:

Recording Date: _______
Recording No.: _______

28. Terms, conditions, provisions, agreements and obligations contained in the Site Lease Agreement by and between State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as site lessor, and UMB Bank, N.A., solely in its capacity as Trustee under the Indenture, as site lessee, as set forth below:

Recording Date: ______
Recording No.: ______

29. Terms, conditions, provisions, agreements and obligations contained in the Lease Purchase Agreement by and between UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and State of Colorado, acting by and through the State Treasurer, as lessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

30. Terms, conditions, provisions, agreements and obligations contained in the Sublease Agreement by and between State of Colorado, acting by and through the State Treasurer, as sublessor, and State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as sublessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

31. The effect of any failure to comply with the terms, covenants, conditions, and provisions of the Lease described or referred to in Schedule A.

END OF EXCEPTIONS

EXHIBIT C

BASE RENTALS SCHEDULE

Base Rentals Payment Date (Three (3) Business Days Prior to)	Base Rentals Principal Portion	Base Rentals Interest Portion	Total Base Rentals
3/15/2016	$ 300,000	$ 169,204.70	$ 469,204.70
9/15/2016	--	180,475.00	180,475.00
3/15/2017	420,000	180,475.00	600,475.00
9/15/2016	--	176,275.00	176,275.00
3/15/2018	430,000	176,275.00	606,275.00
9/15/2016	--	169,825.00	169,825.00
3/15/2019	440,000	169,825.00	609,825.00
9/15/2019	--	161,025.00	161,025.00
3/15/2020	460,000	161,025.00	621,025.00
9/15/2020	--	156,425.00	156,425.00
3/15/2021	470,000	156,425.00	626,425.00
9/15/2021	--	150,550.00	150,550.00
3/15/2022	485,000	150,550.00	635,550.00
9/15/2022	--	138,425.00	138,425.00
3/15/2023	500,000	138,425.00	638,425.00
9/15/2023	--	125,925.00	125,925.00
3/15/2024	530,000	125,925.00	655,925.00
9/15/2024	--	112,675.00	112,675.00
3/15/2025	555,000	112,675.00	667,675.00
9/15/2025	--	104,350.00	104,350.00
3/15/2026	570,000	104,350.00	674,350.00
9/15/2026	--	90,100.00	90,100.00
3/15/2027	600,000	90,100.00	690,100.00
9/15/2027	--	75,100.00	75,100.00
3/15/2028	630,000	75,100.00	705,100.00
9/15/2028	--	62,500.00	62,500.00
3/15/2029	655,000	62,500.00	717,500.00
9/15/2029	--	49,400.00	49,400.00
3/15/2030	685,000	49,400.00	734,400.00
9/15/2030	--	38,268.75	38,268.75
3/15/2031	705,000	38,268.75	743,268.75
9/15/2031	--	26,371.85	26,371.85
3/15/2032	725,000	26,371.85	751,371.85
9/15/2032	--	13,684.35	13,684.35
3/15/2033	755,000	13,684.35	768,684.35
	$9,915,000	$3,831,954.60	$13,746,954.60

EXHIBIT D

TRUSTEE'S FEES AND EXPENSES

UMB Bank Fees

Trustee Inception Fee (one-time)	$3,000.00
Trustee Annual Fee	$3,000.00

After recording please return to:

Dinsmore & Shohl LLP
1801 Broadway, Suite 1700
Denver, CO 80202
Attn: Donald R. Bieber, Esq.

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
SUBLEASE AGREEMENT

by and between

STATE OF COLORADO,
acting by and through the State Treasurer,
as Sublessor

and

STATE OF COLORADO,
acting by and through the Department of Public Safety,
for the use and benefit of the Colorado Bureau of Investigation,
as Sublessee

Dated as of September 29, 2015

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MISCELLANEOUS

STATE OF COLORADO
BUREAU OF INVESTIGATION
GRAND JUNCTION REGIONAL FACILITY
SUBLEASE AGREEMENT

THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY SUBLEASE AGREEMENT (this "Sublease"), dated as of September 29, 2015, is entered into by and between the State of Colorado, acting by and through the State Treasurer (the "State" or the "Sublessor"), as sublessor, and the State of Colorado, acting by and through the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, as sublessee (the "Department of Public Safety" or the "Sublessee").

PREFACE

All capitalized terms used herein have the meanings ascribed to them in Exhibit A to the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust dated as of September 29, 2015, entered into by UMB Bank, n.a., as trustee thereunder (the "Trustee"), as it may be amended or supplemented from time to time (the "Indenture").

RECITALS

A. The Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, owns the land and improvements thereon described in Exhibit A hereto (collectively, the "Leased Property").

B. The Department of Public Safety has leased the Leased Property to the Trustee pursuant to the Site Lease, and, as authorized by the Enabling Legislation, the State has leased the Leased Property from the Trustee pursuant to the Lease.

C. As authorized by the Enabling Legislation, the State will sublease the Leased Property to the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, as sublessee, pursuant to this Sublease.

NOW, THEREFORE, 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
DEFINITIONS

Section 1.01. Definitions. All capitalized terms used but not otherwise defined in this Site Lease shall have the meanings ascribed to them in Exhibit A to the Indenture, as the same may be amended or supplemented from time to time, unless the context otherwise requires.

ARTICLE II
CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 2.01. Certifications, Representations and Agreements of the State. The State hereby certifies, represents and agrees that:

(a) The State is authorized by the Enabling Legislation to lease the Leased Property to the Sublessee pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(b) This Sublease 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 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.

(c) The execution, delivery and performance of the terms of this Sublease by the State do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the 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 Lease, the Indenture, this Sublease or 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.

(d) There is no litigation or proceeding pending or threatened against the State affecting the right of the State to execute, deliver or perform its obligations under this Sublease.

Section 2.02. Certifications, Representations and Agreements of the Sublessee. The Sublessee certifies, represents and agrees that:

(a) The Sublessee is authorized under applicable law to sublease the Leased Property from the State pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(b) In accordance with the Enabling Legislation, the Sublessee shall use the Leased Property as the Sublessee's Grand Junction regional office and forensic laboratory.

(c) The Sublessee has received all approvals and consents required for the Sublessee's execution, delivery and performance of its obligations under this Sublease.

(d) This Sublease has been duly executed and delivered by the Sublessee and is a valid and binding obligation enforceable against the Sublessee 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 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.

(e) The execution, delivery and performance of the terms of this Sublease by the Sublessee do not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Sublessee is now a party or by which the Sublessee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Sublessee, or, except as specifically provided in the Lease, the Indenture, this Sublease or the Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Sublessee.

(f) There is no litigation or proceeding pending or threatened against the Sublessee affecting the right of the Sublessee to execute, deliver or perform its obligations under this Sublease.

(g) The Sublessee will receive economic and other benefits by the subleasing of the Leased Property pursuant to this Sublease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property shall be, property that is necessary and essential to the purposes and operations of the Sublessee. The Sublessee expects that the Leased Property will adequately serve the needs for which it is being subleased throughout the Scheduled Sublease Term.

(h) The sum of the maximum Sublease Base Rentals and the Sublease Additional Rentals payable by the Sublessee under this Sublease in each Fiscal Year during the Sublease Term is not more than the fair value of the use of the Leased Property by the Sublessee during such Fiscal Year and does not exceed a reasonable amount so as to place the Sublessee under an economic compulsion to renew this Sublease or to exercise its option to purchase the Trustee's leasehold interest in the Leased Property hereunder. In making such determinations, the Sublessee has given due consideration to the estimated current value of the Leased Property, the uses and purposes for which the Leased Property will be employed by the Sublessee, the benefit to the Sublessee by reason of the use and occupancy of the Leased Property pursuant to the terms and provisions of this Sublease, the terms of this Sublease governing the use of the Leased Property and the Sublessee's option to purchase the Trustee's leasehold interest in the Leased Property. The Scheduled Sublease Term and the final maturity of the Certificates do not exceed the weighted average useful life of the Leased Property.

(i) The Sublessee presently intends and expects to continue the Sublease Term annually for the entire Scheduled Sublease Term, but this representation does not obligate or otherwise bind the Sublessee to do so.

(j) The Sublessee is not aware of any current violation of any Requirement of Law relating to the Leased Property, and accepts full responsibility for any prior or future violations of any Requirement of Law relating to environmental issues relating to the Leased Property.

(k) The certifications, representations and agreements with respect to federal income tax matters set forth in the Tax Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease are hereby incorporated in this Sublease as if set forth in full in this subsection.

(l) The Sublessee has not, except as otherwise specifically provided herein and in the Site Lease, entered into any agreement or arrangement to transfer to any Person all or any portion of its interest in the Leased Property.

ARTICLE III
DEMISING CLAUSE; ENJOYMENT OF THE LEASED PROPERTY

Section 3.01. Demising Clause. The State demises and leases the State's leasehold estate under the Lease in the land described in Exhibit A hereto and the buildings, structures and improvements now or hereafter located on such land (collectively, the "Leased Property") to the Sublessee, and the Sublessee leases the State's leasehold estate under the Lease in the Leased Property from the State, in accordance with the terms of this Sublease, subject only to Permitted Encumbrances as set forth in Exhibit B hereto, to have and to hold for the Sublease Term.

Section 3.02. Enjoyment of the Leased Property. The State covenants that, during the Sublease Term, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by this Sublease.

ARTICLE IV
SUBLEASE TERM; TERMINATION OF THE SUBLEASE TERM

Section 4.01. Sublease Term.

(a) The Sublease Term is the Initial Term and successive one-year Renewal Terms, subject to Section 4.01(b) below.

(b) The Sublease Term shall expire upon the earliest of any of the following events:

(i) termination of the Lease in accordance with its terms;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, a Sublease Event of Nonappropriation has occurred;

(iii) termination of this Sublease following a Sublease Event of Default in accordance with Section 12.02(a) hereof; or

(iv) the purchase of the Trustee's interest in the Leased Property by the Sublessee pursuant to Article IX hereof following a termination of the Lease.

Section 4.02. Effect of Termination of the Sublease Term. Upon termination of the Sublease Term:

(a) all unaccrued obligations of the Sublessee under this Sublease shall terminate, but all such obligations of the Sublessee that have accrued hereunder prior to such termination shall continue until they are discharged in full; and

(b) if the termination occurs because of the occurrence of a Sublease Event of Nonappropriation or a Sublease Event of Default or because of the termination of the Lease as a result of a Lease Event of Nonappropriation or a Lease Event of Default, the Sublessee's right to possession of the Leased Property hereunder shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Sublease Base Rentals and Sublease Additional Rentals payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Sublease Base Rentals to the State and Sublease Additional Rentals to the Person entitled thereto.

ARTICLE V
[RESERVED]

ARTICLE VI
RENT; SUBLEASE EVENT OF NONAPPROPRIATION

Section 6.01. Sublease Base Rentals. The Sublessee shall, subject only to the other Sections of this Article, pay Sublease Base Rentals to the State during the Sublease Term in immediately available funds in the amounts and on the Sublease Base Rentals Payment Dates set forth in Exhibit C hereto. The Sublease Base Rentals set forth in Exhibit C shall be recalculated by the State and provided to the Trustee in the event of (a) partial redemption of the Certificates pursuant to Article IV of the Indenture, or (b) the issuance of Additional Certificates as provided in the Indenture.

Section 6.02. Sublease Additional Rentals. The Sublessee shall, subject only to the other Sections of this Article, pay Sublease Additional Rentals in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Sublease Additional Rentals directly to the Person to whom they are owed.

Section 6.03. Unconditional Obligations. The obligation of the Sublessee to pay Sublease Base Rentals during the Sublease Term shall, subject only to the other Sections of this Article, and the obligation of the Sublessee to pay Sublease Additional Rentals during the Sublease Term shall, subject only to the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Sublease Base Rentals and Sublease Additional Rentals when due; and the Sublessee shall not withhold any Sublease

Base Rentals or Sublease Additional Rentals payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of setoff or counterclaim against its obligation to pay Sublease Base Rentals and Sublease Additional Rentals; provided, however, that the payment of any Sublease Base Rentals and Sublease Additional Rentals shall not constitute a waiver by the Sublessee of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Sublease Base Rentals and Sublease Additional Rentals during the Sublease Term.

Section 6.04. Sublease Event of Nonappropriation.

(a) The Executive Director of the Colorado Bureau of Investigation or such other officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Sublease Base Rentals and Sublease Additional Rentals is hereby directed to (i) estimate the Sublease Additional Rentals payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Colorado General Assembly during the Sublease Term, and (ii) include as a line item in each annual budget proposal submitted to the Colorado General Assembly during the Sublease Term, the entire amount of Sublease Base Rentals scheduled to be paid and Sublease Additional Rentals estimated to be payable during the next ensuing Fiscal Year. Notwithstanding the foregoing, it is the intention of the Sublessee that any decision to continue or to terminate the Sublease Term shall be made solely by the Colorado General Assembly, in its sole discretion, and not by any other department, agency or official of the Sublessee or the State.

(b) A Sublease Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to Section 6.04(c) below, on June 30 of any Fiscal Year if the Colorado General Assembly has, as of such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Sublease Base Rentals scheduled to be paid and all Sublease Additional Rentals estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding Section 6.04(b) above, a Sublease Event of Nonappropriation under such subsection shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated or otherwise authorized the expenditure of amounts sufficient to avoid a Sublease Event of Nonappropriation under Section 6.04(b) above, and (ii) the Sublessee has paid all Sublease Additional Rentals due during the period from June 30 through the date of such appropriation or authorization.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease Term effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than May 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute a Sublease Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation or expenditure authorization measures relating to Sublease Base Rentals, Sublease

Additional Rentals or the Sublease Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 20 days following the adoption thereof by the Colorado General Assembly; provided, however, that a failure to furnish copies of such measures shall not (i) constitute a Sublease Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

Section 6.05. Limitations on Obligations of the Sublessee.

(a) The obligation of the Sublessee to pay (i) Sublease Base Rentals and Sublease Additional Rentals hereunder and (ii) all other payments by the Sublessee hereunder shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments hereunder. The obligations of the Sublessee to pay Sublease Base Rentals and Sublease Additional Rentals and such other obligations are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee, and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning of Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease Term, the sole security available to the State, as sublessor under this Sublease, for any such obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee's obligations under the Lease shall be subject to the Sublessee's annual right to terminate this Sublease upon the occurrence of a Sublease Event of Nonappropriation.

(c) The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Trustee's leasehold interest in the Leased Property pursuant to Article IX hereof.

Section 6.06. No Right to Compel Payment of Rent by the State Under the Lease. The Sublessee shall have no right to compel the State to pay any Base Rentals or Additional Rentals under the Lease, and the State shall not have any liability to the Sublessee for a failure by the State to pay Base Rentals or Additional Rentals under the Lease for any reason.

ARTICLE VII
TAXES AND UTILITIES; INSURANCE; MAINTENANCE AND OPERATION OF THE LEASED PROPERTY

Section 7.01. Taxes, Utilities and Insurance.

(a) The Sublessee shall pay, as Sublease Additional Rentals, 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 lesser of (A) the full replacement value of the Leased Property, or (B) the principal amount of the Outstanding Certificates;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessee in connection with the Leased Property and the Lease and this Sublease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 *et seq.*, or any successor statute, in an amount not less than the amounts for which the State and the Sublessee may be liable to third parties thereunder; and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. However, if the State or the Sublessee shall first notify the Trustee and the State (in the case of the Sublessee) of the intention of the State or the Sublessee to do so, the State or the Sublessee may, in good faith, at its expense, contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, subject to appropriation, by nonpayment of any such item the interest of the Trustee or the State in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the other party hereto, the State and the Sublessee shall cooperate fully with the requesting party hereto in any such contest.

(c) Insurance policies maintained in accordance with this Section that are provided by private insurance companies shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each collision, comprehensive, replacement or casualty insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear and provide that the Trustee is an additional insured; (iii) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee in accordance with the terms of the policy; (iv) each insurance policy shall be provided by a commercial insurer rated "A" by A.M. Best & Company or in the two highest rating categories by Standard & Poor's Ratings Services and Moody's Investors Service, Inc.; (v) full payment of insurance proceeds under any collision, comprehensive, replacement or casualty insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or the Sublessee; and (vi) each casualty or property damage insurance policy shall explicitly waive any co-insurance penalty.

(d) The Sublessee may, in its discretion, provide any of the insurance or other similar coverage required by this Section under blanket insurance policies or self-insurance programs, or in any other manner which is acceptable to the State and the Trustee, which insure or provide coverage for not only the risks required to be insured hereunder but also other similar risks.

Section 7.02. Maintenance and Operation of the Leased Property. The Sublessee shall maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 8.05 and 8.07 hereof.

ARTICLE VIII
TITLE TO THE LEASED PROPERTY; ENCUMBRANCES; EASEMENTS; MODIFICATIONS; SUBSTITUTION; DAMAGE; PERSONAL PROPERTY

Section 8.01. Title to the Leased Property. Title to the Leased Property shall be held in the name of the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation. The Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, shall enter into the Site Lease, as site lessor, with the Trustee, as site lessee. The Trustee shall enter into the Lease, as lessor, with the State, as lessee. The State shall enter into this Sublease, as sublessor, with the Department of Public Safety, for the use and benefit of the Colorado Bureau of Investigation, as sublessee.

Title to the leasehold estate in the Leased Property under the Lease shall be held in the name of the State, subject to the Site Lease, the Lease and this Sublease, until the Leased Property is conveyed or otherwise disposed of as provided herein.

Section 8.02. Limitations on Disposition of and Encumbrances on the Leased Property.

(a) Except as otherwise permitted in this Article or Articles IX or XII hereof, and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property; and (ii) the Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding Section 8.02(a) above, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee shall notify the State or the Sublessee that, in the opinion of Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, subject to appropriation, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the other party hereto, the State and the Sublessee shall cooperate fully with the requesting party hereto in any such contest.

Section 8.03. Granting of Easements. As long as no Sublease Event of Nonappropriation or Sublease Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee:

(a) consent to the grant of easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Property, free from this Sublease, the Indenture and the Lease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights of way and other rights and privileges with respect to the Leased Property, free from this Sublease, the Indenture and the Lease and any security interest or other encumbrance created hereunder or thereunder, with or without consideration;

(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 Section 8.03(a) or (b) above, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Sublessee Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Section 8.04. Subleasing and Other Grants of Use. The Sublessee shall use the Leased Property in accordance with the Enabling Legislation and shall not sublease all or any portion of the Leased Property to another Person unless the following conditions are satisfied:

(a) the Sublessee receives an opinion that any such sublease or grant of use by the Sublessee complies with the terms and provisions of the Enabling Legislation;

(b) the sublease or grant of use by the Sublessee complies with the covenant in Section 10.04 hereof;

(c) the obligations of the Sublessee under this Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use;

(d) unless otherwise consented to by the Trustee, any such sublease shall provide that it will terminate in the event this Sublease or the Lease terminates for any reason; and

(e) the Sublessee shall furnish or cause to be furnished to the Trustee a copy of any agreement for such sublease, grant or use.

Section 8.05. Modification of the Leased Property. The Sublessee, 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 improvements (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto, and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and improvements shall be at least as great as the value of the Leased Property prior thereto; and (c) the Leased Property, after such remodeling, substitutions, additions, modifications and improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

Section 8.06. Substitution of Other Property for the Leased Property. The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property be substituted for the Leased Property subject to the Sublease under both the Lease and this Sublease. Any such proposal shall be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution and the Sublessee pays the costs of the substitution, the State shall, and shall cooperate with the Sublessee to cause the Trustee to, execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution. The items are:

(a) a certificate by the Sublessee certifying that, following such substitution, either (i) the Fair Market Value of the substituted property 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 the Leased Property will be at least equal to 90% of the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs;

(b) a certificate by the Sublessee 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 Sublessee as the property for which it was substituted;

(c) an agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution, including, but not limited to, the Trustee's fees and expenses, the State's third-party costs and reasonable charges for the time of State employees and allocable overhead; and

(d) an opinion of Special Counsel to the effect that such substitution is in compliance with the Enabling Legislation, is permitted by the Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 10.04 hereof and will not cause the State to violate its tax covenant set forth in Section 10.04 of the Lease.

Section 8.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be deposited in the Base Rentals Fund.

(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 Sublessee as Sublease Additional Rentals, subject to Article VI hereof, to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article VI hereof, pay the remainder of such costs as Sublease Additional Rentals;
>
> (ii) to substitute property for the affected portion of the Leased Property pursuant to Section 8.06 hereof, in which case the Net Proceeds shall be delivered to the 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; provided, however, that if the State elects to proceed under this Section 8.07(c)(iii), then a Sublease Event of Nonappropriation shall be deemed to have occurred.

(d) The Sublessee shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to any portion of the Leased Property without the written consent of the State and the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Sublease Additional Rentals hereunder.

(f) Any repair, restoration, modification, improvement or replacement of any portion of the Leased Property paid for in whole or in part out of such Net Proceeds shall be included as part of the Leased Property under the Lease, the Site Lease, this Sublease and the Indenture.

Section 8.08. Personal Property of the State or the Sublessee. The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall not become part of the Leased Property unless it is permanently affixed to the Leased Property or its removal would materially damage the Leased Property, in which case it shall become part of the Leased Property.

ARTICLE IX
SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO THE SUBLESSEE UPON CONVEYANCE TO THE STATE

Section 9.01. Sublessee's Purchase Option.

(a) In the event that the Lease is terminated upon the occurrence of a Lease Event of Default or a Lease Event of Nonappropriation, and the Trustee has a leasehold interest in the Leased Property pursuant to the Site Lease, the Sublessee is hereby granted the option to purchase all, but not less than all, of the Trustee's leasehold interest in the Leased Property by paying to the Trustee the Sublease Purchase Option Price, which shall be an amount sufficient to: (i) defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture on the closing date for the purchase of the Leased Property (or, if the Certificates are then subject to optional redemption, to redeem all of the Outstanding Certificates in accordance with the redemption provisions of the Indenture); and (ii) pay all Sublease Additional Rentals and Additional Rentals then due under the Lease, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Outstanding Certificates, that are payable through the date of conveyance of such Leased Property to the Sublessee pursuant to Section 9.02 hereof.

(b) In order to exercise its option to purchase the Trustee's leasehold interest in the Leased Property pursuant to Section 9.01(a) above, the Sublessee shall: (i) give written notice to the Trustee and the State within fifteen (15) Business Days after the Sublessee is notified by the Trustee that a Lease Event of Default or a Lease Event of Nonappropriation has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the Person to which the Leased Property is to be conveyed, (C) identifying the source of funds it will use to pay Sublease Purchase Option Price and (D) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublease Purchase Option Price to the Trustee in immediately available funds on the closing date.

(c) Upon payment of the Sublease Purchase Option Price to the Trustee pursuant to this Section, the Sublessee's obligation to pay Sublease Base Rentals shall terminate.

(d) Upon a termination of the Lease, this Sublease shall terminate in accordance with Section 4.01(b)(i) hereof; provided, however, that the Sublessee's right to purchase the Trustee's leasehold interest in the Leased Property in accordance with this Article IX shall survive termination of this Sublease as set forth in Section 9.01(b) above.

Section 9.02. Conveyance of the Leased Property. At the closing of any purchase of the Leased Property pursuant to Section 9.01 hereof, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same interest in the Leased Property that was conveyed to the Trustee by the Department of Public Safety under the Site Lease, subject only to the following: (a) Permitted Encumbrances, other than this Sublease, the Lease, the Indenture and the Site Lease; (b) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by this Sublease or the Lease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by this Sublease, the Lease, the Indenture and the Site Lease; (c) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (d) those liens and encumbrances, if any, to which the Leased Property was subject when leased by the Trustee and the State.

ARTICLE X
GENERAL COVENANTS

Section 10.01. Further Assurances and Corrective Instruments. So long as the Lease and the Sublease are in full force and effect and no Sublease Event of Nonappropriation or Sublease Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided herein and the Sublessee and the State, at the written request of the other, shall from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Sublease.

Section 10.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall use the Leased Property in a manner such that: (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirement of Law in respect of the Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. Section 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. Section 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 Requirement 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 Requirement 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 or 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 Requirement of Law.

Section 10.03. Participation in Legal Actions.

(a) At the request of and at the cost of the Sublessee (payable as Sublease Additional Rentals hereunder), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action: (i) in which the Sublessee asserts its right to the enjoyment of the Leased Property; (ii) that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the enjoyment of the Leased Property by the Sublessee; or (iii) that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under this Sublease or the Site Lease.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Sublease Additional Rentals hereunder), join and cooperate fully in any legal action: (i) in which the State or the Trustee asserts its ownership of or interest in the Leased Property; (ii) that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Trustee or the State is responsible under the Lease or this Sublease; or (iii) that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Sublease, the Site Lease, the Lease or the Indenture by the State or the Trustee or the performance of the obligations of the State or the Trustee hereunder or thereunder.

Section 10.04. Tax Covenant of the Sublessee. The Sublessee covenants for the benefit of the Owners of the Certificates that it will not take any action or omit to take any action with respect to the Certificates, the proceeds thereof, any other funds of the Sublessee or any facilities, equipment or other property financed or refinanced with the proceeds of the Certificates (except for the possible exercise of the Sublessee's right to terminate this Sublease as provided herein) if such action or omissions: (a) would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code; or (b) would cause interest on the Certificates to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent such interest is required to be included in adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The Sublessee shall comply with the certifications, representations and agreements set forth in the Tax Certificate executed and delivered by the Sublessee in connection with the execution of this Sublease.

Section 10.05. Fees and Expenses of the Trustee; State Expenses; Deposits to the Rebate Fund; Rebate Calculations. The Sublease Additional Rentals that may be payable by the Sublessee in accordance with Section 6.02 hereof shall include: (a) the fees and expenses payable to the Trustee pursuant to Section 10.05 of the Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Certificates, the Lease, the Indenture, the Site Lease, this Sublease or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 10.04 of the Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Indenture.

Section 10.06. Investment of Funds. By authorizing the execution and delivery of this Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments.

ARTICLE XI
LIMITS ON OBLIGATIONS OF THE STATE

Section 11.01. Disclaimer of Warranties. THE STATE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. In no event shall the State be liable for any incidental, special or consequential damages in connection with or arising out of this Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for herein.

Section 11.02. No Financial Obligation of the State. Notwithstanding any other provision hereof, the State shall have no financial obligations under this Sublease.

ARTICLE XII
SUBLEASE EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Sublease Events of Default Defined.

(a) Any of the following shall constitute a “Sublease Event of Default”:

(i) failure by the Sublessee to pay any specifically appropriated Sublease Base Rentals to the State on or before the applicable Sublease Base Rentals Payment Date;

(ii) failure by the Sublessee to pay any Sublease Additional Rentals for which funds have been specifically appropriated when due, or if such Sublease Additional Rentals are payable to any Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, the Leased Property or the interest of the State in the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following a Sublease Event of Nonappropriation or Sublease Event of Default or a termination of the Lease as a result of a Lease Event of Nonappropriation or Lease Event of Default;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of this Sublease or the Leased Property in violation of Section 13.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 13.02 hereof; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Sublease or in any other instrument related hereto (including, but not limited to, the Sublessee's Tax Certificate executed in connection with this Sublease), other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of Section 12.01(a) above are subject to the following limitations:

(i) the Sublessee shall be obligated to pay Sublease Base Rentals and Sublease Additional Rentals only during the Sublease Term, except as otherwise expressly provided in Section 4.02(b)(ii) hereof; and

(ii) if, by reason of *Force Majeure*, the Sublessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay money, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee.

Section 12.02. Remedies. Whenever any Sublease Event of Default shall have happened and be continuing, the State may take one or any combination of the following remedial steps, subject to the provisions and limitations of the Enabling Legislation:

(a) terminate the Sublease Term and give notice to the Sublessee to vacate the Leased Property in the manner provided in Section 4.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property;

(c) recover any of the following from the Sublessee that is not recovered pursuant to Section 12.02(b) above:

(i) the portion of the Sublease Base Rentals and Sublease Additional Rentals payable pursuant to Section 4.02(b)(ii) hereof;

(ii) the portion of any Sublease Base Rentals payable by the Sublessee for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the Sublessee vacates the Leased Property; and

(iii) the portion of the Sublease Additional Rentals for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Sublease Additional Rentals are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of this Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XIII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Sublease, subject, however, to the limitations on the obligations of the Sublessee under Sections 6.05 and 12.03 hereof.

Section 12.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Sublessee by reason of a Sublease Event of Default only as to the Sublessee's liabilities described in Section 12.02(c) hereof. A judgment requiring a payment of money may be entered against the Sublessee by reason of a Sublease Event of Nonappropriation, or a failure to vacate the Leased Property following a Sublease Event of Nonappropriation, only to the extent provided in Section 12.02(c)(i) hereof.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Sublessee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 12.05. Waivers. The State may waive any Sublease Event of Default and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XIII
TRANSFERS OF INTERESTS IN THE SUBLEASE OR THE LEASED PROPERTY

Section 13.01. Transfers Prohibited. Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 hereof with respect to substitutions of other property for Leased Property and Section 13.02 hereof with respect to transfers of the Leased Property following termination of the Sublease Term or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 13.02. Transfer After Conveyance of the Leased Property to the Sublessee. Notwithstanding Section 13.01 hereof, and subject to the terms and limitations of the Enabling Legislation, the Sublessee may transfer its leasehold interest in the Leased Property after, and only after, this Sublease Term has terminated and the Trustee's leasehold interest in the Leased Property has been conveyed to the Sublessee pursuant to Article IX hereof.

ARTICLE XIV
MISCELLANEOUS

Section 14.01. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XIII hereof. This Sublease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the land comprising the Leased Property and the leasehold estate in the Leased Property under this Sublease.

Section 14.02. Interpretation and Construction. This Sublease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Sublease. For purposes of this Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Sublease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Sublease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in Exhibit A to the Indenture include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles applicable to governmental entities, subject to statutory exceptions and modifications, as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 14.03. Acknowledgement of and Subordination to the Lease and the Indenture. The Sublessee has received copies of, and acknowledges the terms of, the Lease and the Indenture and agrees that its rights hereunder are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the Lease and the Indenture.

Section 14.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and for the Sublessee by the Sublessee Representative, and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request.

Section 14.05. Notices. All notices, certificates or other communications to be given hereunder shall be sufficiently given and shall be deemed given when sent by Electronic Means or delivered or mailed by first-class mail, postage prepaid, addressed as follows:

to the State: Colorado State Treasurer
140 State Capitol
200 East Colfax Avenue
Denver, CO 80203
Telephone: (303) 866-2441
Facsimile: (303) 866-2123
E-mail: jon.forbes@state.co.us
Attention: Deputy State Treasurer

with a copy to: Colorado State Controller
5th Floor
1525 Sherman Street
Denver, CO 80203
Telephone: (303) 866-3765
Facsimile: (303) 866-4233
E-mail: bob.jaros@state.co.us
Attention: Bob Jaros

to the Sublessee: Colorado Bureau of Investigation
690 Kipling St.
Lakewood, CO 80215
Telephone: (303) 239-4202
E-mail: Michael.Rankin@state.co.us
Attention: Director

to the Trustee: UMB Bank, n.a.
1670 Broadway
Denver, CO 80202
Telephone: (303) 764-3603 or (303) 839-2220
Facsimile: (303) 764-3699
E-mail: tamara.dixon@umb.com
Attention: Corporate Trust and Escrow Services

Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 14.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing this Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 14.07. Amendments, Changes and Modifications. Except as otherwise provided herein, this Sublease may only be amended, changed, modified or altered by a written instrument executed by the State and the Sublessee.

Section 14.08. State May Rely on Certifications, Representations and Agreements of the Sublessee. The State may rely on the certifications, representations and agreements of the Sublessee in this Sublease (including any Exhibit hereto) and may assume that the Sublessee will perform all of its obligations under this Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the Lease and making certifications and representations to Special Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Lease, the Site Lease, the Certificates, the Indenture or any matter related thereto.

Section 14.09. Events Occurring on Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Sublease.

Section 14.10. Legal Description of Land Included in the Leased Property. The legal description of the land included in the Leased Property subject to this Sublease is set forth in Exhibit A hereto. If the land included in Leased Property subject to this Sublease is modified pursuant to the terms of this Sublease or other land is substituted for land included in the Leased Property subject to this Sublease pursuant to the terms of this Sublease, the legal description set forth in Exhibit A hereto shall be amended to describe the land included in the Leased Property subject to this Sublease after such modification or substitution.

Section 14.11. Merger. The State, the Trustee and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the Lease or the Site Lease, and that none of the execution and delivery of this Sublease by the State and the Sublessee, the Lease by the Trustee and the State or the Site Lease by the Department of Public Safety and the Trustee, or the exercise of any remedies by any party under this Sublease, the Lease or the Site Lease, shall operate to terminate or extinguish this Sublease, the Lease or the Site Lease.

Section 14.12. Severability. In the event that any provision of this Sublease, other than the obligation of the Sublessee to pay Sublease Base Rentals and Sublease Additional Rentals hereunder and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.13. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Sublease.

Section 14.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Sublease. Any provision of this Sublease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section shall not invalidate the remainder of this Sublease to the extent that this Sublease is capable of execution. At all times during the performance of this Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 14.15. Electronic Storage. The parties hereto agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 14.16. Execution in Counterparts. This Sublease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.17. Governmental Immunity. Notwithstanding any other provisions of this Sublease to the contrary, no term or condition of this Sublease shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections or other provisions of the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 *et seq.*, as now or hereafter amended.

Section 14.18. State Controller's Approval. This Sublease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available by the Colorado General Assembly.

Section 14.19. Non-Discrimination. The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 14.20. Vendor Offset. Pursuant to C.R.S. Section 24-30-202(1) and Section 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. Section 39-21-101 *et seq.*; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 14.21. Employee Financial Interest. The signatories to this Sublease aver that, to their knowledge, no employee of the State or the Sublessee has any personal or beneficial interest whatsoever in the service or property described herein.

[Remainder of page intentionally left blank]

THE PARTIES HERETO HAVE EXECUTED THIS STATE OF COLORADO BUREAU OF INVESTIGATION GRAND JUNCTION REGIONAL FACILITY SUBLEASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE.

*Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Public Safety Stan Hilkey, Executive Director ____________________ By Stan Hilkey, Executive Director	STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Treasury ____________________ By Jonathan Forbes, Deputy State Treasurer
STATE OF COLORADO John W. Hickenlooper, GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: ____________________ Michael R. Karbach, Manager of Real Estate Programs	LEGAL REVIEW Cynthia H. Coffman, Attorney General By: ____________________ Heidi Dineen, Senior Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

C.R.S. Section 24-30-202 requires the State Controller to approve all State Contracts. This Sublease is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER Robert Jaros, MBA, CPA, JD By: ____________________ Robert Jaros, State Controller Date: September 29, 2015

[Signature Page to Sublease Agreement]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Stan Hilkey, as Executive Director of the Colorado Department of Public Safety.

____
Notary Public

My commission expires:______________________

[SEAL]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of September, 2015, by Jonathan Forbes, Deputy State Treasurer, acting on behalf of the State of Colorado.

____
Notary Public

My commission expires:______________________

[SEAL]

EXHIBIT A

DESCRIPTION OF THE LEASED PROPERTY

Site:

Lot 1,
CBI Subdivision,
County of Mesa, State of Colorado.

The street address of the Site is 2797 Justice Drive, Grand Junction, Colorado 81506.

Improvements:

All improvements located on the approximately 3.15 acre Site, consisting of the Colorado Bureau of Investigation Grand Junction regional office and forensics laboratory, a building encompassing approximately 38,700 square feet constructed in 2007.

EXHIBIT B

PERMITTED ENCUMBRANCES

"*Permitted Encumbrances*" with respect to the Leased Property means, as of any particular time: (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pending contest pursuant to the provisions of the Lease; (b) the Site Lease, the Lease, the Sublease, the Indenture and any related fixture filing and any liens arising or granted pursuant to the Site Lease, the Lease, the Sublease or the Indenture; (c) utility, access and other easements and rights of way, licenses, permits, party wall and other agreements, restrictions and exceptions which the State Representative certifies will not materially interfere with or materially impair the Leased Property, including rights or privileges in the nature of easements, licenses, permits and agreements as provided in the Lease; and (d) the following easements, covenants, restrictions, liens and encumbrances to which title to the Leased Property was subject when leased to the State pursuant to the Lease:

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SCHEDULE B – Section 2

Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction:

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.

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.

4. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for the value the estate or interest or mortgage thereon covered by this Commitment.

6. Water rights, claims of title to water, whether or not these matters are shown by the Public Records.

7. All taxes and assessments, now or heretofore assessed, due or payable.

   NOTE: This tax exception will be amended at policy upon satisfaction and evidence of payment of taxes.

8. ITEM DELETED.

9. Reservations contained in the Patent

   From: The United States of America
   Recording Date: July 5, 1921
   Recording No: Book 252 at Page 400

   Which among other things recites as follows:

   The right of the proprietor of a vein or lode to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted as provided by law.

10. Terms, conditions, provisions, agreements and obligations contained in the Contract Agreement and/or Subscription for stock, including rights of way as set forth below:

    Recording Date: November 1, 1944
    Recording No.: Book 336 at Page 43

11. Any tax, lien, fee, or assessment by reason of inclusion of the Land in the Grand Junction Rural Fire Protection District, as evidenced by instrument(s) recorded December 28, 1965 in Book 891 at Page 691.

12. Terms, conditions, provisions, agreements and obligations contained in the Resolution No. MCM 95-156 as set forth below:

Recording Date:	September 15, 1995
Recording No.:	Book 2172 at Page 776

13. Terms, conditions, provisions, agreements and obligations contained in the Sewer Hookup Permit as set forth below:

Recording Date:	October 27, 1995
Recording No.:	Book 2182 at Page 557

14. ITEM DELETED.

15. Terms, conditions, provisions, agreements and obligations contained in the Assignment of interest as set forth below:

Recording Date:	February 1, 2006
Recording No.:	Book 4086 at Page 779

16. Terms, conditions, restrictions, provisions, notes and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on the Plat(s) of Air Tech Park recorded August 8, 2006 at Reception No. 2331622 and CBI Subdivision recorded January 22, 2007 at Reception No. 2360128.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easement
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 903

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

In favor of:	Air Tech Park Business Owners Association, Inc.
Purpose:	drainage easements
Recording Date:	August 8, 2006
Recording No:	Book 4220 at Page 904

19. Terms, conditions, provisions, agreements and obligations contained in the Easement as set forth below:

Recording Date:	August 8, 2006
Recording No.:	Book 4220 at Page 905

20. Terms, conditions, provisions, agreements and obligations contained in the Avigation Easement as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 906

21. Covenants, conditions and restrictions, which do not include a forfeiture or reverter clause, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: August 8, 2006
Recording No: Book 4220 at Page 908

22. Terms, conditions, provisions, agreements and obligations contained in the Development Improvements Agreement and/or Maintenance Guarantee as evidenced by Recording Memorandum as set forth below:

Recording Date: August 8, 2006
Recording No.: Book 4220 at Page 928

23. ITEM DELETED.

24. Terms, conditions, provisions, agreements and obligations contained in the Underground electric utility easement as set forth below:

Recording Date: December 26, 2007
Recording No.: Book 4575 at Page 751, at Reception No. 2417424

25. Terms, conditions, provisions, agreements and obligations contained in the Post-Construction Stormwater control operations and maintenance agreement as set forth below:

Recording Date: June 1, 2009
Recording No.: Book 4862 at Page 681, at Reception No. 2491235

26. Any existing leases or tenancies, and any and all parties claiming by, through or under said lessees.

27. Terms, conditions, provisions, agreements and obligations contained in the Indenture of Trust by UMB Bank, n.a., as Trustee, relating to State of Colorado Lease Purchase Agreement as set forth below:

Recording Date: _______
Recording No.: _______

28. Terms, conditions, provisions, agreements and obligations contained in the Site Lease Agreement by and between State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as site lessor, and UMB Bank, N.A., solely in its capacity as Trustee under the Indenture, as site lessee, as set forth below:

Recording Date: ______
Recording No.: ______

29. Terms, conditions, provisions, agreements and obligations contained in the Lease Purchase Agreement by and between UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and State of Colorado, acting by and through the State Treasurer, as lessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

30. Terms, conditions, provisions, agreements and obligations contained in the Sublease Agreement by and between State of Colorado, acting by and through the State Treasurer, as sublessor, and State of Colorado, acting by and through the Colorado Department of Public Safety FBO Colorado Bureau of Investigation, as sublessee, as set forth below:

    Recording Date: ______
    Recording No.: ______

31. The effect of any failure to comply with the terms, covenants, conditions, and provisions of the Lease described or referred to in Schedule A.

END OF EXCEPTIONS

EXHIBIT C

SUBLEASE BASE RENTALS SCHEDULE

Sublease Base Rentals Payment Date (Three (3) Business Days Prior to)	Sublease Base Rentals Principal Portion	Sublease Base Rentals Interest Portion	Total Sublease Base Rentals
3/15/2016	$ 300,000	$ 169,204.70	$ 469,204.70
9/15/2016	--	180,475.00	180,475.00
3/15/2017	420,000	180,475.00	600,475.00
9/15/2016	--	176,275.00	176,275.00
3/15/2018	430,000	176,275.00	606,275.00
9/15/2016	--	169,825.00	169,825.00
3/15/2019	440,000	169,825.00	609,825.00
9/15/2019	--	161,025.00	161,025.00
3/15/2020	460,000	161,025.00	621,025.00
9/15/2020	--	156,425.00	156,425.00
3/15/2021	470,000	156,425.00	626,425.00
9/15/2021	--	150,550.00	150,550.00
3/15/2022	485,000	150,550.00	635,550.00
9/15/2022	--	138,425.00	138,425.00
3/15/2023	500,000	138,425.00	638,425.00
9/15/2023	--	125,925.00	125,925.00
3/15/2024	530,000	125,925.00	655,925.00
9/15/2024	--	112,675.00	112,675.00
3/15/2025	555,000	112,675.00	667,675.00
9/15/2025	--	104,350.00	104,350.00
3/15/2026	570,000	104,350.00	674,350.00
9/15/2026	--	90,100.00	90,100.00
3/15/2027	600,000	90,100.00	690,100.00
9/15/2027	--	75,100.00	75,100.00
3/15/2028	630,000	75,100.00	705,100.00
9/15/2028	--	62,500.00	62,500.00
3/15/2029	655,000	62,500.00	717,500.00
9/15/2029	--	49,400.00	49,400.00
3/15/2030	685,000	49,400.00	734,400.00
9/15/2030	--	38,268.75	38,268.75
3/15/2031	705,000	38,268.75	743,268.75
9/15/2031	--	26,371.85	26,371.85
3/15/2032	725,000	26,371.85	751,371.85
9/15/2032	--	13,684.35	13,684.35
3/15/2033	755,000	13,684.35	768,684.35
	$9,915,000	$3,831,954.60	$13,746,954.60

APPENDIX B

THE STATE GENERAL FUND

Pursuant to applicable statutes and subject to the terms of the Lease, the State will be obligated to pay Base Rentals, Additional Rentals and certain other amounts under the Lease during the Lease Term from moneys appropriated annually by the Colorado General Assembly from any legally available sources, including the State General Fund. The General Fund is expected, but not required, to be the primary source of such payments.

This Appendix contains a discussion of the General Fund, including the latest forecast by the OSPB of the revenues and expenditures for the General Fund for Fiscal Years 2015-16 through 2017-18 and the estimated cash flows for the General Fund for Fiscal Years 2014-15 and 2015-16. See also "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

The General Fund

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State Constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. As required by recent changes in GAAP, the General Fund reported in the State's Fiscal Year 2010-11 CAFR and subsequent CAFRs includes a large number of statutorily created special funds that do not meet the GAAP requirements to be presented as Special Revenue Funds. To make the distinction between the statutory General Fund and the GAAP General Fund, the CAFR refers to the statutory General Fund as the General Purpose Revenue Fund. The revenues in the General Purpose Revenue Fund are not collected for a specific statutory use but rather are available for appropriation for any purpose by the General Assembly. The following discussion of the General Fund represents the legal and accounting entity referred to in the State's Fiscal Year 2013-14 CAFR as the General Purpose Revenue Fund.

General Fund Revenue Sources

The major revenue sources to the General Fund are individual and corporate income taxes and sales and use taxes. The State also imposes excise taxes on the sale of cigarettes, tobacco products and liquor, and receives revenues from a diverse group of other sources such as insurance taxes, pari-mutuel taxes, interest income, court receipts and gaming taxes. The following table sets forth the State's receipts from major revenue sources for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2015-16, 2016-17 and 2017-18. See also "Revenue Estimation; OSPB Revenue and Economic Forecasts" in this Appendix and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST," as well as the preliminary notices in this Official Statement regarding forward looking statements.

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State of Colorado
General Fund Overview
Fiscal Years 2010-11 through 2017-18
General Fund Revenue Sources

	Actual										OSPB September 2015 Revenue Forecast					
	Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14		Preliminary Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18	
Revenue Source	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**	**Amount**	**% Change**
Excise Taxes:																
Sales Tax [2]	$2,043.5	12.0%	$2,093.2	2.4%	$2,211.7	5.7%	$2,425.3	9.7%	$2,621.2	8.1%	$ 2,741.4	4.6%	$ 2,897.0	5.7%	$ 3,030.5	4.6%
Use Tax	190.1	22.0	200.6	5.6	242.7	21.0	241.3	(0.6)	260.2	7.8	257.4	(1.1)	266.2	3.4	282.5	6.1
	2,233.6	12.8	2,293.8	2.7	2,454.4	7.0	2,666.6	8.6	2,881.4	8.1	2,998.8	4.1	3,163.2	5.5	3,313.0	4.7
Cigarette Tax	39.3	(3.8)	39.5	0.5	38.3	(3.1)	36.6	(4.5)	37.9	1.5	37.4	(1.3)	35.6	(4.7)	34.5	(3.2)
Tobacco Products [3]	13.8	(14.2)	16.0	16.1	15.6	(2.9)	16.9	8.5	17.8	5.3	22.0	23.5	20.3	(7.7)	20.8	2.6
Liquor Tax	36.4	2.8	38.4	5.3	39.2	2.2	40.3	2.9	41.5	3.0	42.4	2.2	42.9	1.3	44.0	2.5
	89.5	(3.0)	93.9	4.9	93.1	(0.9)	93.8	0.8	97.2	2.9	101.8	4.7	98.8	(2.9)	99.3	0.5
Total Excise Taxes	2,323.1	12.1	2,387.7	2.8	2,547.5	6.7	2,760.4	8.4	2,978.6	7.9	3,100.6	4.1	3,262.0	5.2	3,412.3	4.6
Income Taxes:																
Net Individual Income Tax	4,496.1	10.1	5,011.6	11.5	5,596.3	11.7	5,696.1	1.8	6,350.1	11.5	6,579.2	3.6	7,109.5	8.1	7,460.9	4.9
Net Corporate Income Tax	393.9	5.9	486.5	23.5	636.3	30.8	720.7	13.3	692.9	(3.9)	729.5	5.3	763.1	4.6	799.3	4.7
Total Income Taxes	4,890.0	9.7	5,498.1	12.4	6,232.6	13.4	6,416.8	3.0	7,043.0	9.8	7,308.6	3.8	7,872.5	7.7	8,260.2	4.9
Less State Education Fund Diversion[2]	(370.5)	12.6	(407.5)	10.0	(486.3)	19.3	(478.8)	(1.6)	(519.8)	8.6	(540.8)	4.0	(590.4)	9.2	(619.5)	4.9
Total Income Taxes to the General Fund	4,519.5	9.5	5,090.6	12.6	5,746.2	12.9	5,938.0	3.3	6,523.1	9.9	6,767.8	3.8	7,282.1	7.6	7,640.6	4.9
Other Revenues:																
Estate	(0.1)	--	0.3	--	(0.1)	--	--	--	--	--	--	--	--	--	--	--
Insurance	189.7	1.5	197.2	4.0	210.4	6.7	239.1	13.6	257.6	7.8	270.0	4.8	276.2	2.3	281.5	1.9
Interest Income	7.9	(21.6)	13.6	71.5	17.4	28.6	15.2	(12.8)	8.1	(46.6)	14.6	79.6	15.4	5.8	16.3	5.7
Pari-Mutuel	0.5	(0.6)	0.6	14.4	0.7	10.3	0.6	(8.8)	0.6	0.2	0.6	(3.0)	0.6	(3.0)	0.6	(2.0)
Court Receipts	%	(80.0)	2.6	(27.6)	2.3	(9.0)	2.6	9.5	2.6	0.3	2.5	(4.3)	2.4	(1.0)	2.4	0.0
Other Income	21.2	(18.8)	23.1	8.8	18.1	(21.6)	21.3	17.9	30.4	42.5	23.6	(22.3)	25.4	7.3	26.8	5.8
Total Other	222.8	(7.7)	237.3	6.5	249.0	4.9	279.2	12.1	299.3	7.2	311.3	4.0	320.0	2.8	327.7	2.4
Gross General Fund	**$7,065.4**	**9.7%**	**$7,715.7**	**9.2%**	**$8,542.7**	**10.7%**	**$8,977.7**	**5.1%**	**$9,801.0**	**9.2%**	**$10,179.7**	**3.9%**	**$10,864.1**	**6.7%**	**$11,380.6**	**4.8%**

[1] Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The "Other Revenues" in this table for Fiscal Years 2010-11 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in "Transfers to the General Fund" in the General Fund overview table hereafter rather than as a General Fund revenue source in this table. This change does not affect the overall amount of "Total General Fund Revenue Available for Expenditure" in the General Fund overview table.

[2] State voters approved Proposition AA in November of 2013, which included the imposition by the State of a sales tax of 10% on sales of retail marijuana and retail marijuana products effective January 2014. Under current law, the revenue from this sales tax first goes to the General Fund and is then transferred to a cash fund. A portion of this revenue is also distributed to local governments where such sales occur. 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. The disposition of the revenues derived from such taxes has been modified by HB 15-1367. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Potential TABOR Refund Associated with Proposition AA.*"

[3] All individual and corporate income tax revenues are deposited to the General Fund and then a portion of the amount is diverted by law to the State Education Fund. See Note 13 to the table in "General Fund Overview" hereafter.

Source: Office of State Planning and Budgeting

General Fund Overview

The following table summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2010-11 through Fiscal Year 2014-15 and the forecasts for Fiscal Years 2015-16, 2016-17 and 2017-18 from the OSPB September 2015 Revenue Forecast. The overview incorporates the budget under current law as of the publication of the OSPB September 2015 Revenue Forecast for Fiscal Years 2014-15 and 2015-16. 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 C – OSPB SEPTEMBER 2015 REVENUE FORECAST," as well as the preliminary notices in this Official Statement regarding forward looking statements.

State of Colorado
General Fund Overview
Fiscal Years 2010-11 through 2017-18
(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited) [1]					OSPB September 2015 Revenue Forecast		
	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Preliminary Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUE:								
Beginning Reserve	$ 137.4	$ 156.6	$ 795.8	$ 373.0	$ 435.9	$ 638.0	$ 577.0	$ 644.4
Gross General Fund Revenue [2]	7,065.4	7,715.7	8,542.7	8,977.7	9,801.0	10,179.7	10,864.1	11,380.6
Transfers to the General Fund [2]	178.5	162.4	12.4	14.1	65.8	15.6	16.8	17.9
TOTAL GENERAL FUND REVENUE AVAILABLE FOR EXPENDITURE	7,381.3	8,034.7	9,351.0	9,364.8	10,302.8	10,833.2	11,458.0	12,042.9
EXPENDITURES:								
Appropriation Subject to Limit [3]	6,811.1	7,027.8	7,459.2	8,218.7	8,869.0	9,442.1	9,962.7	10,485.6
Dollar Change From Prior Year	179.5	216.7	431.5	759.5	650.3	573.1	520.6	522.9
Percent Change From Prior Year	2.7%	3.2%	6.1%	10.2%	7.9%	6.5%	5.5%	5.2%
Spending Outside Limit:	151.5	189.0	452.3	545.5	795.8	814.2	850.9	878.9
TABOR Refund under Subsection (7)(d) [4]	--	--	--	--	153.6	116.7	398.0	474.5
TABOR Refund under Subsection (3)(c) [5]	--	--	--	--	58.0	--	--	--
Rebates and Expenditures [6]	127.6	134.8	380.9	250.2	256.7	263.1	278.0	290.2
Transfer to Capital Construction [7]	12.0	49.3	61.4	186.7	248.5	246.8	86.7	41.9
Transfers to Highway Users Tax Fund [7]	N/A	N/A	N/A	--	--	101.8	--	--
Transfers to State Education Fund per SB 13-234 [8]	N/A	N/A	N/A	45.3	25.3	25.3	25.3	25.3
Transfers to Other Funds [9]	--	5.0	4.6	30.9	44.0	60.4	62.8	47.0
Other Expenditures Exempt from General Fund Appropriations Limit [10]	12.0	--	5.4	32.4	9.7	--	--	--
TOTAL GENERAL FUND OBLIGATIONS	6,962.6	7,216.8	7,911.5	8,764.3	9,664.8	10,256.2	10,813.6	11,364.5
Percent Change from Prior Year	(3.7)%	3.7%	9.6%	10.8%	10.3%	6.1%	5.4%	6.5%
Reversions and Accounting Adjustments	26.9	36.9	7.1	(50.4)	--	--	--	--
RESERVES								
Year-End General Fund Balance	445.5	854.8	1,446.5	650.9	638.0	577.0	644.4	678.4
Year-End General Fund as a % of Appropriations	6.5%	12.2%	19.4%	7.9%	7.2%	6.1%	6.5%	6.5%
General Fund Statutory Reserve Amount	156.6	281.1	373.0	410.9	576.5	611.3	6644.4	678.4
Unappropriated Reserve Percentage [11]	2.3%	4.0%	5.0%	5.0%	6.5%	6.5%	6.5%	6.5%
Amount Above (Below) Statutory Reserve	288.9	573.7	1,073.5	240.0	61.5	(34.3)	--	--
Transfer of Excess Reserve to State Education Fund/Other Funds [12]	(288.9)	(59.0)	(1,073.5)	(215.0)	--	--	--	--
Balance After Any Funds Above Statutory Reserve are Allocated	156.6	795.8	--	25.0	61.5	(34.3)	--	--

1 This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs which are audited for the applicable Fiscal Years.

2 Historically, gaming revenue was reported by OSPB as a source of revenue to the General Fund. The amounts in these line items for Fiscal Years 2010-11 through 2012-13 have been restated to reflect a change in OSPB's reporting of gaming revenue to the General Fund that began with the OSPB September 2014 Revenue Forecast. Because revenue from gaming is transferred to the General Fund annually from a cash fund, the money is more appropriately reflected in this table as a transfer to the General Fund rather than as General Fund revenue. This change does not affect the overall amount of Total General Fund Revenue Available for Expenditure.

[Notes continued on next page]

3 Per SB 09-228, commencing with Fiscal Year 2009-10 this appropriation limit was revised from: (a) the lesser of (i) 5% of Colorado personal income as reported by the U.S. Bureau of Economic Analysis or (ii) 6% growth applied to appropriated amounts from the General Fund during the prior Fiscal Year; to (b) 5% of Colorado personal income. The appropriations amounts for Fiscal Years 2014-15 and 2015-16 reflect current law. The amounts for Fiscal Years 2016-17 and 2017-18 represent the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount. The amounts will change based on future budgeting decisions and updates to the revenue forecast.

4 Current law requires TABOR refunds to be accounted for in the year the excess revenue is collected. The refund amount for Fiscal Year 2014-15 includes $150.0 million in revenue above the Referendum C cap, as well as $3.6 million in pending amounts owed related to refunds from prior years. The mechanisms used to refund the excess revenue, such as the earned income tax credit, will reduce revenue to the General Fund. However, the refund mechanisms are not shown as reducing revenue in the OSPB September 2015 Revenue Forecast but rather as amounts that need to be refunded. The net impact to the General Fund under both scenarios is essentially the same. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Fiscal Year Revenue and Spending Limits; Referendum C*."

5 This reflects the amount set aside by HB 15-1367 for the liability for a TABOR refund relating to Proposition AA. See "STATE FINANCIAL INFORMATION – Taxpayers' Bill of Rights – *Potential TABOR Refund* Associated *with Proposition AA*," Note 3 to this table and Note 2 to the table in "General Fund Revenue Sources" above.

6 This generally includes the Cigarette Rebate, which distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; the Marijuana Rebate, which distributes 15% of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; the Old Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; the Property Tax, Heat and Rent Credit, which provides property tax, heating bill or rent assistance to qualifying low-income disabled or elderly individuals; and the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The homestead exemption for qualified seniors was suspended for Fiscal Years 2009-10 through 2011-12. The homestead exemption for qualified disabled veterans was not affected by this suspension.

7 Current law requires transfers to capital construction and the Highway Users Tax Fund when personal income increases by more than 5.0%. Personal income growth exceeded this threshold in the 2014 calendar year, which triggers the required transfers in Fiscal Year 2015-16. The capital construction funding amount for Fiscal Year 2015-16 reflects current law budgeted amounts. The amounts for Fiscal Years 2016-17 and 2017-18 reflect the needed level to fund the continuation of projects funded in prior years and priority, or "Level I," building maintenance projects, taking into account the amount of funding available in the Capital Construction Fund.

8 SB 13-234 requires annual General Fund transfers to the State Education Fund in Fiscal Years 2013-14 through 2018-19.

9 State law requires transfers of General Fund money to various State cash funds. Starting in Fiscal Year 2013-14, this line item includes transfers of General Fund money from the new 10% retail marijuana sales tax to a cash fund. See Note 1 to the table in "General Fund Revenue Sources" above.

10 Spending by the Medicaid program above the appropriated amount, called "Medicaid Overexpenditures," is usually the largest amount in this line.

11 Per HB 14-1337, for Fiscal Year 2014-15 and subsequent Fiscal Years, the Unappropriated Reserve has been increased to 6.5% of the amount appropriated for expenditure from the General Fund in such Fiscal Years. See also "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

12 In recent years, all or a portion of the amount in excess of the statutory reserve was required by law to be credited to other funds, mostly the State Education Fund. For example, per HB 12-1338, all of the Fiscal Year 2012-13 excess was transferred to the State Education Fund. All of the Fiscal Year 2013-14 excess reserves, except for $25 million that remained in the General Fund, was transferred to various other State Funds in a specified order of priority pursuant to HB 14-1339, HB 14-1342 and SB 14-223. The amount remaining in the General Fund became part of the beginning reserve and funds available in Fiscal Year 2014-15. Under current law, all of the surplus in Fiscal Year 2014-15 will become part of the beginning reserve and funds available in Fiscal Year 2015-16.

Source: Office of State Planning and Budgeting

Revenue Estimation; OSPB Revenue and Economic Forecasts

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing a General Fund revenue estimate. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the State Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The most recent OSPB Revenue Forecast was issued on September 21, 2015, and is included in this Official Statement as "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST." The OSPB September 2015 Revenue Forecast projects revenues for Fiscal Years 2015-16 through 2017-18. The amounts forecast for Fiscal Years 2014-15 and 2015-16 are summarized in "General Fund Revenue Sources" and "General Fund Overview" above in this Appendix.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast for the OSPB September 2015 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 is expected to be released in December 2015. General Fund revenue projections in this and subsequent OSPB revenue forecasts may be materially different from the OSPB September 2015 Revenue Forecast if economic conditions change markedly. If a revenue shortfall is projected for Fiscal Year 2015-16 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 "RISKS AND OTHER INVESTMENT CONSIDERATIONS – Budgets and Revenue Forecasts."

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Fiscal Years 2013-14 and 2014-15 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State Pool as of the end of each month in Fiscal Years 2013-14 and 2014-15.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2013-14
(Amounts expressed in millions)[1]

	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	April 2014	May 2014	June 2014
Agency CMOs	$ 31.6	$ 29.9	$ 28.4	$ 27.1	$ 25.7	$ 24.5	$ 23.4	$ 22.4	$ 21.4	$ 20.4	$ 19.4	$ 18.5
Commercial Paper	250.0	173.0	170.0	185.0	80.0	0.0	158.2	636.9	230.0	305.0	150.0	75.0
U.S. Treasury Notes	823.9	824.0	848.5	858.5	858.5	888.2	888.4	908.8	949.1	974.3	1,003.9	959.1
Federal Agencies	3,853.1	3,818.7	3,818.9	3,675.7	3,514.6	3,708.1	4,175.5	3,354.2	3,792.1	4,203.1	4,087.1	3,195.3
Asset-Backed Securities	1,180.4	1,209.2	1,248.3	1,267.6	1,287.3	1,294.5	1,303.1	1,329.4	1,353.9	1,420.9	1,435.0	1,459.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporates	1,395.9	1,433.6	1,438.6	1,437.7	1,491.6	1,533.4	1,531.4	1,538.4	1,621.0	1,636.0	1,656.0	1,708.8
Certificates of Deposit	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	6.5	7.0
Totals	$7,536.9	$7,490.4	$7,556.7	$7,455.6	$7,261.7	$7,452.7	$8,084.0	$7,794.1	$7,971.5	$8,565.7	$8,357.9	$7,423.6

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2014-15
(Amounts expressed in millions)[1]

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	April 2015	May 2015	June 2015
Agency CMOs	$ 17.6	$ 16.7	$ 15.9	$ 15.0	$ 14.2	$ 13.3	$ 12.5	$ 11.8	$ 11.3	$ 10.7	$ 10.1	$ 9.4
Commercial Paper	0.0	140.0	60.0	100.0	100.0	0.0	150.0	0.0	50.0	368.0	291.0	484.9
U.S. Treasury Notes	974.0	974.0	973.9	973.8	973.8	973.8	973.9	949.1	909.2	909.2	909.3	909.3
Federal Agencies	3,725.4	3,568.5	3,529.3	3,234.5	2,863.2	2,654.2	3,372.5	3,242.7	2,877.3	3,707.7	3,580.8	2,710.9
Asset-Backed Securities	1,452.5	1,469.2	1,497.1	1,536.1	1,539.0	1,529.1	1,493.0	1,459.6	1,449.2	1,434.2	1,420.2	1,404.9
Money Market	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	390.0	225.0	95.0	370.0
Corporates	1,720.8	1,737.8	1,766.8	1,738.8	1,742.8	1,735.8	1,728.8	1,678.9	1,720.9	1,729.0	1,749.9	1,739.9
Certificates of Deposit	7.5	7.5	7.5	7.5	7.5	7.5	5.5	5.5	5.5	5.5	5.5	5.5
Totals	$7,897.8	$7,913.7	$7,850.5	$7,605.7	$7,240.5	$6,913.7	$7,736.2	$7,447.6	$7,413.4	$8,389.3	$8,061.8	$7,634.8

[1] This table includes all moneys in the State Pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

General Fund Cash Flow

General Fund cash flow deficits are attributable to several categories of loans and expenditures by the State throughout each Fiscal Year, including public school distributions, medical assistance and grants and contract purchased services. The State Treasurer has certain administrative powers to remedy negative cash balances, including the ability to issue tax and revenue anticipation notes in anticipation of the receipt of revenues in the General Fund and to use Borrowable Resources. The Governor also has authority to impose spending restrictions, and the General Assembly may defer certain payments from one Fiscal Year to the next, if necessary, to ensure that the General Fund will not end any Fiscal Year with a negative fund balance. See "STATE FINANCIAL INFORMATION – The State Treasurer."

The following tables present on a cash basis the estimated cash flows of the General Fund for Fiscal Years 2014-15 and 2015-16 by total categories of receipts and disbursements. The tables are based on revenue and expenditure projections prepared on the modified accrual basis of accounting, with accounting adjustments made by the State Treasurer to arrive at a cash basis presentation, and should be read in conjunction with the information set forth above in this Appendix. See also "STATE FINANCIAL INFORMATION – Fiscal Controls and Financial Reporting."

Monthly cash flow projections for Fiscal Years 2014-15 and 2015-16 are based upon (i) the General Fund appropriations for Fiscal Years 2014-15 and 2015-16 adopted by the General Assembly, (ii) historical experience as adjusted to reflect economic conditions, (iii) statutory and administrative changes and anticipated payment dates for payrolls and (iv) the OSPB September 2015 Revenue Forecast discussed in "Revenue Estimation; OSPB Revenue and Economic Forecasts" above. Unforeseen events or variations from underlying assumptions may cause an increase or decrease in receipts and/or disbursements from those projected for a given month, which may adversely affect the projections of estimated cash flows. Additionally, the timing of transactions from month to month may vary from the forecasts. Therefore, there are likely to be differences between the forecasted and actual results, and such differences may be material. See the preliminary notices in this Official Statement regarding forward looking statements.

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State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2014-15[1]
Current Law

(Amounts expressed in millions; totals may not add due to rounding)

	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	Total
Beginning Cash and Investments Balance	$ 342.5												$ 342.5
Revenues:													
General Fund Revenue:													
Sales and Use Tax	209.4	247.6	257.5	248.3	233.5	236.6	283.7	214.9	218.0	243.5	235.5	252.9	2,881.4
Individual Income Tax	361.4	409.2	573.5	524.0	467.0	495.8	661.5	181.8	254.8	728.9	504.4	667.7	5,830.3
Corporate Income Tax	12.7	6.3	150.4	56.4	(43.3)	61.3	51.7	8.2	84.4	136.3	27.8	140.6	692.9
Other	50.5	7.4	(21.4)	(49.4)	1.5	(51.1)	6.9	68.2	34.9	213.7	(34.8)	170.0	396.4
Total General Fund Revenue	634.0	670.6	960.0	779.4	658.7	742.7	1,003.8	473.0	592.1	1,322.4	732.9	1,231.3	9,801.0
Federal Revenue	434.0	509.8	652.2	415.2	557.7	644.7	537.7	553.6	664.8	474.8	561.0	1,171.5	7,177.1
Total Revenues	1,068.0	1,180.4	1,612.3	1,194.6	1,216.4	1,387.4	1,541.5	1,026.6	1,256.9	1,797.2	1,293.9	2,402.8	16,978.0
Expenditures:													
Payroll	128.2	138.9	139.4	140.3	139.0	130.6	136.2	131.5	133.2	129.1	130.8	141.2	1,618.4
Medical Assistance	433.0	504.0	366.3	361.4	546.4	462.8	312.5	501.6	397.5	665.3	662.7	443.6	5,657.2
Public School Distribution	748.5	(15.3)	977.2	0.3	2.1	971.2	3.5	0.4	971.6	0.4	0.3	2.5	3,662.7
Higher Education Distribution	3.0	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.2
Grants and Contracts	41.0	257.3	305.6	204.2	236.3	291.7	248.7	238.9	270.7	236.3	242.9	273.6	2,847.3
Other	433.1	391.7	235.9	155.9	113.4	425.1	196.0	113.0	204.2	(63.0)	(137.0)	346.6	2,415.0
Total Expenditures:	(1,786.8)	(1,321.6)	(2,026.4)	(866.1)	(1,041.6)	(2,324.1)	(897.3)	(985.8)	(1,977.7)	(968.5)	(900.1)	(1,206.7)	(16,302.8)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(376.3)	(141.2)	(414.1)	328.5	174.8	(936.7)	644.2	40.9	(720.8)	828.7	393.8	1,196.0	1,017.8
Revenue Accrual Adjustment	130.6	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	31.4
Expenditure Accrual Adjustment	(144.6)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0	67.9	(20.4)	(282.8)	(324.6)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(110.0)	--	--	(110.0)
General Fund Notes – Including Interest	500.0	--	--	--	--	--	--	--	--	--	--	(501.0)	(1.0)
Capital Construction Transfer	(248.5)	--	--	--	--	--	--	--	--	--	--	--	(248.5)
General Fund Reserve Transfer to Highway Users Tax Fund	--	--	--	--	--	--	--	--	--	--	--	--	--
State Education Fund Transfer	--	--	--	--	--	--	--	--	--	--	--	--	--
Actual/Projected Monthly Cash Change	(138.8)	(120.7)	(412.9)	307.3	173.0	(941.5)	672.2	23.9	(709.8)	796.9	320.9	394.7	365.1
General Fund Cash Balance End of Month	**$ (138.8)**	**$ (259.5)**	**$ (672.4)**	**$ (365.2)**	**$ (192.2)**	**$(1,133.7)**	**$ (461.4)**	**$ (437.6)**	**$(1,147.3)**	**$ (350.4)**	**$ (29.6)**	**$ 365.1**	

[1] General Fund revenues in these columns are derived from the OSPB September 2015 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See the preliminary notices in this Official Statement regarding forward looking statements.

Source: State Treasurer's Office

State of Colorado
Estimated General Fund Cash Flow
Fiscal Year 2015-16[1]
Current Law

(Amounts expressed in millions; totals may not add due to rounding)

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	June 2016	Total
Beginning Cash and Investments Balance	$ 365.1												$ 365.1
Revenues:													
General Fund Revenue													
Sales and Use Tax	215.7	257.9	268.2	258.7	243.2	246.5	295.5	223.8	227.1	253.6	245.3	263.4	2,998.8
Individual Income Tax	372.2	423.9	594.0	542.7	483.7	513.5	686.5	189.0	263.9	754.9	522.4	691.6	6,038.4
Corporate Income Tax	13.1	6.7	158.4	59.4	(45.6)	64.6	54.5	8.6	88.9	143.6	29.3	148.1	729.5
Other	52.0	8.5	(23.0)	(50.8)	3.3	(52.7)	6.7	70.2	35.5	222.2	(35.3)	176.5	413.0
Total General Fund Revenue	653.0	696.9	997.7	810.0	684.5	771.8	1,043.2	491.6	615.4	1,374.3	761.7	1,279.6	10,179.7
Federal Revenue	447.0	541.4	692.6	441.0	592.3	684.7	571.0	587.9	705.9	504.2	595.7	1,244.1	7,607.8
Total Revenues	1,100.0	1,238.3	1,690.3	1,250.9	1,276.8	1,456.5	1,614.2	1,079.5	1,321.3	1,878.5	1,357.4	2,523.7	17,787.5
Expenditures:													
Payroll	132.0	147.3	147.2	148.1	146.9	137.1	143.9	138.9	140.7	136.3	138.1	149.7	1,706.2
Medical Assistance	446.0	553.1	401.9	396.6	599.6	507.9	342.9	550.4	436.3	730.1	727.3	486.7	6,178.9
Public School Distribution	771.0	(16.2)	1,039.3	0.3	2.3	1,033.0	3.8	0.4	1,033.4	0.4	0.3	2.7	3,870.6
Higher Education Distribution	3.1	45.1	2.1	4.1	4.2	42.6	0.3	0.4	0.4	0.4	0.4	(0.8)	106.3
Grants and Contracts	42.2	271.0	321.8	215.0	248.9	307.2	262.0	251.6	285.1	248.9	255.8	288.2	2,997.7
Other	446.1	408.6	247.5	159.1	108.4	449.4	203.6	109.0	212.2	(83.8)	(162.4)	359.8	2,457.4
Total Expenditures:	(1,840.4)	(1,408.7)	(2,159.9)	(923.2)	(1,110.2)	(2,477.2)	(956.5)	(1,050.7)	(2,108.1)	(1,032.3)	(959.5)	(1,286.3)	(17,313.0)
Total Revenues and Beginning Cash and Investments Minus Total Expenditures	(375.3)	(170.4)	(469.6)	327.7	166.6	(1,020.8)	657.7	28.8	(786.8)	846.2	398.0	1,237.4	839.6
Revenue Accrual Adjustment	142.8	(20.1)	2.1	6.5	(32.1)	4.5	2.0	(0.3)	(1.9)	10.2	(52.5)	(17.6)	43.6
Expenditure Accrual Adjustment	(156.8)	40.6	(0.9)	(27.8)	30.2	(9.3)	26.1	(16.7)	13.0	67.9	(20.4)	(282.8)	(336.8)
Extraordinary Items Impacting Cash:													
TABOR Refund	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Transfer In/Out – From/To Cash Funds Per Statute	--	--	--	--	--	--	--	--	--	--	--	--	--
Homestead Exemption	--	--	--	--	--	--	--	--	--	(118.0)	--	--	(118.0)
General Fund Notes – Including Interest	600.0	--	--	--	--	--	--	--	--	--	--	(602.0)	(2.0)
Capital Construction Transfer	(246.8)	--	--	--	--	--	--	--	--	--	--	--	(246.8)
General Fund Reserve Transfer to Highway Users Tax Fund	--	--	--	--	--	--	--	--	--	--	--	--	--
State Education Fund Transfer	--	--	--	--	--	--	--	--	--	--	--	--	--
Actual/Projected Monthly Cash Change	(36.1)	(149.9)	(468.4)	306.5	164.8	(1,025.6)	685.8	11.8	(775.7)	806.4	325.1	335.0	179.6
General Fund Cash Balance End of Month	**$ (36.1)**	**$ (186.0)**	**$ (654.4)**	**$ (347.9)**	**$ (183.1)**	**$(1,208.7)**	**$ (522.9)**	**$ (511.2)**	**$(1,286.9)**	**$ (480.5)**	**$ 155.4)**	**$ 179.6**	

[1] General Fund revenues in this table are derived from the OSPB September 2015 Revenue Forecast. All other amounts are estimates made by the State Treasurer's office based on various assumptions and are subject to change. No representation or guaranty is made herein that such forecasted amounts will be realized. See the preliminary notices in this Official Statement regarding forward looking statements.

Source: State Treasurer's Office

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APPENDIX C

OSPB SEPTEMBER 2015 REVENUE FORECAST

As discussed in "APPENDIX B – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts," the OSPB prepares quarterly revenue estimates and is currently forecasting for Fiscal Years 2015-16 through 2017-18. 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 September 21, 2015, and is presented 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 the preliminary notices in this Official Statement regarding forward looking statements.

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COLORADO
Office of State Planning
& Budgeting

September | 2015

The Colorado Economic Outlook

Economic and Fiscal Review

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Summary

- General Fund revenue is forecast to increase 3.9 percent in FY 2015-16. This projection is $78.9 million, or 0.8 percent, lower than forecasted in June. The lower forecast is mostly due to slightly slower job and income gains in the state than projected in June, the recent declines in the stock market, and further weakening in oil prices that will lower income tax revenue from royalty payments. General Fund revenue growth for FY 2016-17 is expected to rebound from the slower growth in FY 2015-16 with continued economic expansion in the state. However, the FY 2016-17 General Fund revenue growth rate of 6.7 percent is still below the high rates experienced in most years of the current expansion.

- Under this forecast, the State's General Fund reserve is projected to be $34.3 million below the required amount of 6.5 percent of appropriations in FY 2015-16. The projected shortfall in FY 2015-16 is smaller than forecasted in OSPB's June forecast, mostly due to the new expectation that transfers to transportation and capital construction under Senate Bill 09-228 will occur at half the levels anticipated in June. This is a result of a larger projected TABOR refund in FY 2015-16 compared with June's forecast.

- Based on preliminary figures, TABOR revenue exceeded the Referendum C cap by $150.0 million in FY 2014-15. TABOR revenue is projected to exceed the cap by $116.7 million in FY 2015-16, $398.0 million in FY 2016-17, and $474.5 million in FY 2017-18.

- The projected TABOR refunds in FY 2015-16 are slightly above the level that triggered the reduction in the SB 09-228 transfers to transportation and capital construction. Therefore, only a small downward revision in the revenue forecast would cause additional General Fund obligations for the transfers, further increasing the FY 2015-16 shortfall in the required reserve, making larger budget balancing actions necessary. As a result of the expected size of the TABOR refunds in FY 2016-17 and FY 2017-18, SB 09-228 transfers are projected to be eliminated.

- Revenue above the Referendum C cap from FY 2014-15 will be refunded through the State Earned Income Tax Credit to qualified taxpayers and the sales tax refund to all taxpayers. The sales tax refund is projected to average $19 per taxpayer, while the EITC will average about $217 per qualifying taxpayer. In FY 2015-16, revenue above the Referendum C cap will be refunded through the sales tax refund. In FY 2016-17 and FY 2017-18, the refund will occur through a temporary income tax rate reduction and the sales tax refund.

- Expansion in many of the state's industries appears strong enough for the overall economy to absorb the contraction in the oil and gas industry and global economic headwinds. The economy is expected to continue growing through the forecast period, though not at the robust level experienced in 2014. Indicators associated with the business cycle at the national level, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. However, financial conditions began to tighten in August with declines in equity assets and widening credit spreads, signaling concerns over global economic growth, especially in China.

- Economic momentum is a powerful force for generating continued growth, but it does not shield the state economy from the risks associated with a slowdown in global economic activity. This is especially so if recent volatility in financial markets sharply weaken expectations and cause disruptions in credit conditions. In addition, continued low oil prices may further reduce oil and gas employment and investment in the state, with possible broader economic impacts than those currently being experienced.

- Cash fund revenue subject to TABOR in FY 2015-16 will be $115.5 million, or 4.2 percent, higher than FY 2014-15, primarily as a result of growth in revenue from the Hospital Provider Fee. This growth will offset a sharp decline in revenue from severance taxes. The forecast for FY 2015-16 is $120.8 million, or 4.4 percent, higher than projections from the June forecast, mostly due to a substantial upward revision to the Hospital Provider Fee forecast. Cash fund revenue will increase 1.8 percent in FY 2016-17.

The Economy: Issues, Trends, and Forecast

Economic conditions provide the foundation for trends in tax collections and the demand for State services. The following section discusses overall economic conditions in Colorado, the nation, and around the world. Our forecast for job and income growth for the 2015 to 2017 period is similar to the June Colorado Economic Outlook. The following section includes an analysis of:

***Trends and forecasts for key economic indicators* —** A summary of key economic indicators with their recent trends and statistics, as well as forecasts, is provided at the end of this section. This summary is intended to provide a snapshot of the economy's performance and OSPB's economic projections, which are informed by the following analysis of the economy.

Summary — The state's economy continues to show momentum, indicating its resilience in the face of slow global growth, the contraction in the oil and gas industry, and volatility in the financial markets. Recent indicators on the underlying health of the economy are mostly positive, such as declining initial claims for unemployment insurance and solid small business employment growth. Expansion in many of the state's industries appears strong enough for the overall economy to absorb the contraction in the oil and gas industry and global economic headwinds. The economy is expected to continue growing through the forecast period, though not at the robust level experienced in 2014. Job growth for the state is forecast to be 2.8 percent in 2015, 0.7 percentage points less than 2014's 3.5 percent growth.

The overall national economy is also showing some momentum despite sluggish global conditions. Growth in the U.S. continues to be influenced more by domestic rather than international factors. Construction activity is growing and recent survey results from businesses outside the manufacturing sector remain at their highest level of the current expansion. The labor market continues to improve with sustained job gains and lower unemployment, though wage gains remain lower than in previous expansions. Indicators associated with the business cycle, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. However, financial conditions have tightened with declines in equity assets and widening credit spreads, signaling concerns over global economic growth, especially in China, and the possibility of upcoming monetary policy tightening by the Federal Reserve.

***Economic risks* —** World economic growth overall remains muted and global trade has slowed. Economic momentum is a powerful force for generating continued growth, but it does not shield the state economy from the risks associated with a slowdown in global economic activity. This is especially so if recent volatility in financial markets sharply weakens expectations and causes disruptions in credit conditions. Further, the Federal Reserve appears close to tightening monetary policy by targeting an increase in the federal funds short-term interest rate after being near zero for several years. Financial markets look to be signaling that economic conditions may not warrant monetary tightening at this time. Developments in worldwide economic conditions and financial markets will be important to monitor going forward; further weakening may warrant a downgrade to the economic forecast.

Conditions in the oil and gas industry also pose a downside risk to the forecast, especially when combined with sluggish global growth and financial market volatility. Continued low oil prices may further reduce oil and gas employment and investment in the state, with possible broader economic impacts than those currently being experienced. Drilling rigs operating in the state began to decrease again at the beginning of September and oil and gas companies remain cautious given the possibility of a prolonged low-price environment.

Overview of Colorado's Economy

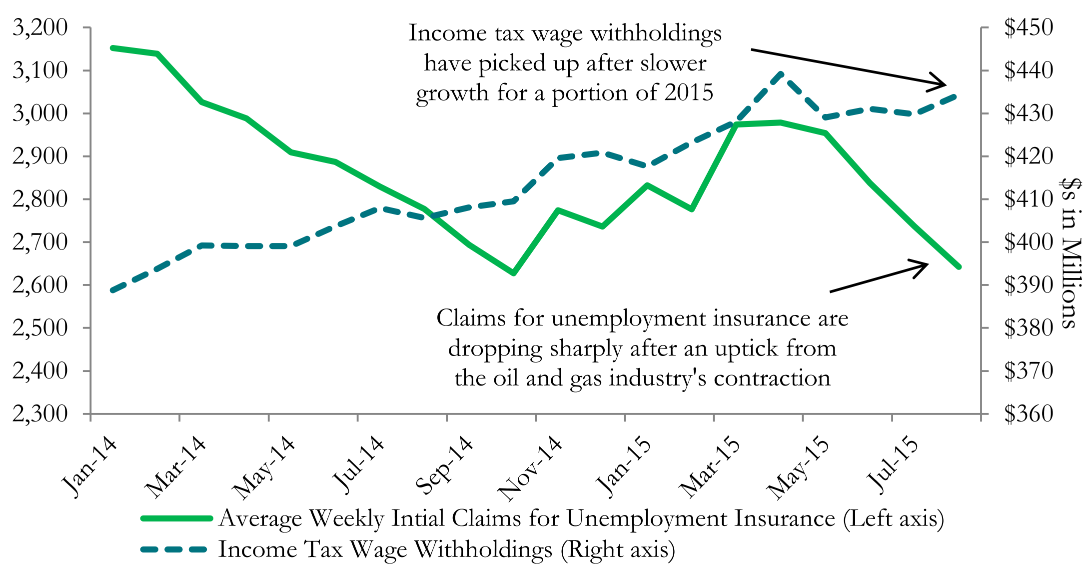
Colorado's economy continues to exhibit momentum and resilience **—** The state's economy continues to show momentum, indicating its resilience in the face of slow global growth, the contraction in the oil and gas industry, and volatility in financial markets. This shows that the state continues to have many favorable ingredients for economic growth, most notably its diverse mix of industries producing goods and services in high demand in today's economy. However, the oil and gas industry's contraction is contributing to slower overall job and income growth in 2015 compared with the robust growth of 2014. Job growth for the state is forecast to be 2.8 percent in 2015, 0.7 percentage points less than 2014's 3.5 percent growth.

The state's economy continues to show momentum, indicating its resilience in the face of several headwinds. However, the oil and gas industry's contraction is contributing to slower overall job and income growth in 2015 compared with the robust growth of 2014.

Recent indicators on the underlying health of the economy are mostly positive **—** New business activity in the state, a main source of job and economic growth, continued to expand through the first half of the year, the latest data available. Further, the most recent data on initial claims for unemployment insurance and income tax collections from wage withholding indicate a healthy job market.

The following graph shows the recent trends in initial unemployment insurance claims and income tax wage withholdings —two key, near-real-time indicators of broad economic performance. Though initial claims ticked up during the first half of 2015 as a result of layoffs in the oil and gas industry, they have declined sharply in recent months. The decline in layoffs indicates the expansion of several industries across the economy. Growth in income tax withholdings from wages also softened somewhat in the spring and early summer, but has picked up again recently.

Figure 1. Indicators of Colorado's Recent Economic Performance, 2014 through August 2015*



*Seasonally adjusted, three-month moving average
Source: Colorado Department of Revenue and the Colorado Department of Labor and Employment

Colorado's small businesses continue to grow — Colorado ranked in the top ten among states in small business job growth in each month from June through August, according to the Intuit Small Business Employment Index. Intuit, a business services firm, publishes the index to gauge employment trends for firms with fewer than 20 employees in most states and regions of the United States.

Colorado ranked in the top ten in small business job growth in each month from June through August.

Job growth in Colorado continues despite the oil and gas slowdown — Colorado added 64,900 new jobs from July 2014 to July 2015, a year-over-year increase of 2.6 percent. The leisure and hospitality sector led job growth by adding 14,800 jobs, while most other industries experienced more modest increases. The contraction in the oil and gas industry continued to result in job losses for the sector, although recent survey data suggests that employment losses are slowing (see Oil and Gas Industry Conditions section for more detail).

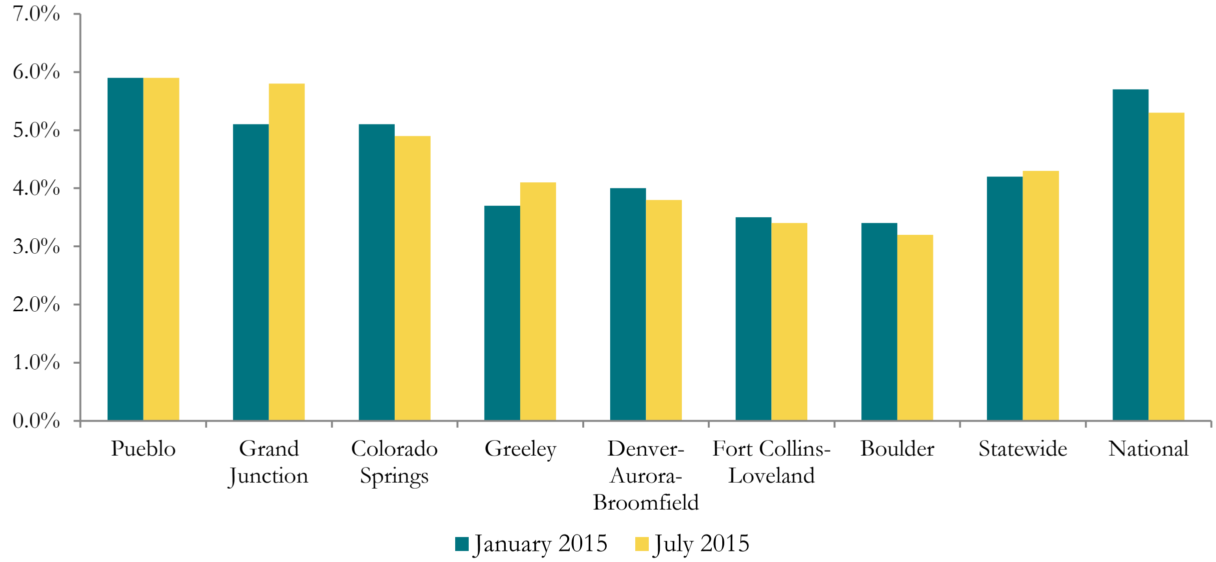
While more recent data at the metro level is less reliable, initial estimates show uneven job growth across the state. The Fort Collins-Loveland area saw the most growth in the first part of the year, fueled by population growth and a high concentration of technology-oriented businesses. Greeley experienced job losses due to the oil and gas slowdown. Denver and Colorado Springs grew modestly, while Grand Junction employment was essentially flat.

The Conference Board's "Help-Wanted OnLine" index, which tracks online help-wanted ads, provides positive signs for the state's labor market. Total online ads were up 6.1 percent throughout the state from July 2014 to July of this year. However, ad increases were concentrated almost entirely in Pueblo and the Denver metro area; other urban areas saw declines or only modest increases. Among higher-wage jobs across the state, healthcare practitioners saw the biggest increase in demand for their services, while architects, engineers, and legal professionals all saw ad declines from 15 to 18 percent. Lower wage occupations saw more muted increases, although ads for health care support workers and food service workers increased 22.1 and 17.9 percent, respectively.

Online help-wanted ads grew in Colorado as the unemployment remained steady at 4.3 percent.

Unemployment rose slightly across some Colorado regions, but the statewide rate remains below the national average — The statewide "U-3" unemployment rate dropped to 4.2 percent in August from 4.3 percent in July and remains nearly a full percentage point below the national rate. As shown in Figure 2, Greeley and Grand Junction experienced modest increases in their unemployment rates through July of 2015, which is likely tied to the slowdown in the oil and gas industry. All of the northern Front Range areas saw modest declines in their unemployment rates.

Figure 2. Unemployment Rate by Colorado Region Compared with Colorado and U.S. Overall, January and July 2015



Source: U.S. Bureau of Labor Statistics, Colorado Department of Labor and Employment

Colorado fares well against other states in terms of unemployment levels. As of July, the state's 4.3 percent unemployment rate was the 14th-lowest in the nation. Likewise, the broader U-6 rate of 8.8 percent, measured as a year-long average through the second quarter of 2015, tied Colorado with Texas for 12th-lowest in the country.

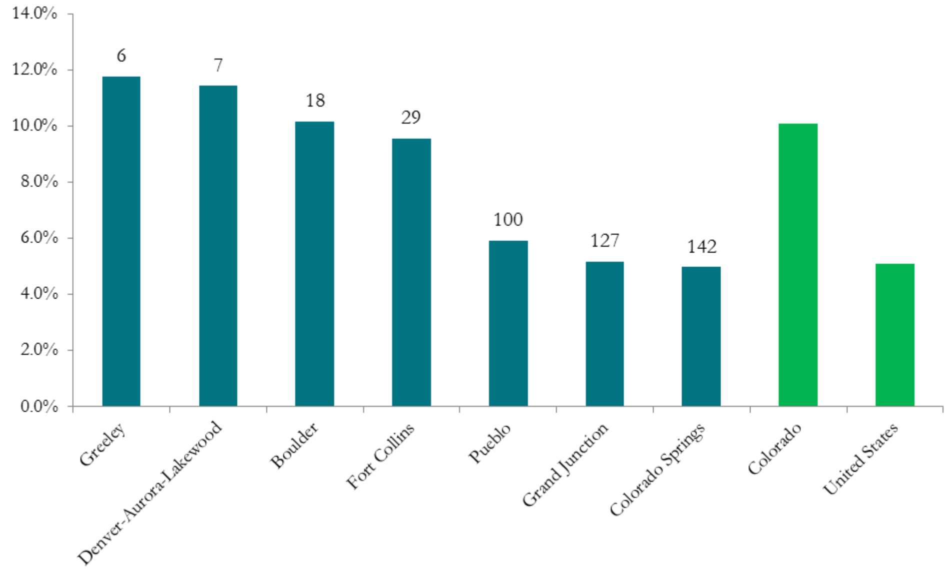
Housing prices continue to rise at strong rates, another indicator of the state's economic growth— Housing prices continue to grow as high demand outpaces the supply of homes, especially in Front Range urban areas. Higher construction costs are also contributing to the strong appreciation. Rents are increasing at similarly fast rates. These sustained strong increases in housing costs, especially in Front Range urban areas, are acting as a constraint on growth and making affordable housing a challenge for some.

The four major urban areas in the northern Front Range region — Denver metro, Boulder, Greeley, and Fort Collins — posted year-over-year home price growth at or above 10 percent in the second quarter of 2015. This growth placed the four areas in the top 30 of the largest 403 metro areas across the country, with two in the top ten — Greeley and the Denver metro area.

Home price gains in several of Colorado's urban areas continue to be among the highest in the country.

Figure 3 shows home price growth in the second quarter of 2015 from the first quarter of 2014 for all of Colorado's larger urban areas, compared with Colorado and the nation overall. All of the state's larger metro areas are experiencing gains in home prices, though the growth is much less robust outside the northern Front Range.

Figure 3. Change in Home Prices, 2014Q2-2015Q2
Rank among 403 Largest U.S. Metro Areas Shown Above Bars



Source: Federal Housing and Finance Authority Home Price Index (all-transactions, not seasonally adjusted)

Not all areas of the state are experiencing the same levels of growth — Nonurban areas that lack concentrations of diverse growing industries are not doing as well as some of the urban areas in the state. Regional agricultural economies are among these areas. Income to farmers and ranchers has weakened due to the strong dollar and lower crop prices.

Nonurban agricultural and energy sector-dependent areas of Colorado are experiencing more sluggish economic conditions due to the strong dollar, lower crop prices, and the contraction in the oil and gas industry.

Creighton University's Rural Mainstreet Index for Colorado has hovered just slightly above the growth-neutral "50" threshold in recent months after being below the growth threshold for much of 2015. The index in August registered 51.5. Some of the weakness in the rural index is likely also tied to the slowdown in the oil and gas industry. The index surveys rural community banks in nonurban agricultural and energy sector-dependent areas regarding current economic conditions and their projected economic outlooks.

National Economy Overview

The national economy showed improvement heading into the second half of 2015 – Many economic indicators showed continued improvement as the economy headed into the second half of 2015. The latest annualized growth figures for real, or inflation-adjusted, gross domestic product (3.7 percent), consumer spending (3.1 percent), and business investment (3.2 percent) were all relatively strong during the second quarter. Additionally, the value of construction put in place in July hit its highest level since May 2008 with a growth rate of 13.7 percent over July 2014.

Although many indicators point to improved growth, the sluggish global economic environment and financial market volatility present downside risk.

Although continued growth is expected throughout the remainder of the year, the global economic environment and financial market volatility continue to present challenges. The global economic environment is discussed in more detail in the international economy section starting on page 15.

According to the Federal Reserve's most recent "Beige Book," business and other contacts across the economy indicated that economic activity expanded across most regions and industries in July and August. Reports on manufacturing were mostly positive. However, several factors were cited as slowing demand in the manufacturing sector, including weaker conditions in the agricultural sector, the strength of the U.S. dollar, falling energy prices, and the slowdown in China. Retail spending, tourism, and auto sales continued to expand across most districts. Existing home sales and rental activity improved noticeably, leading to increased home prices in most areas. Business contacts reported moderate growth in labor demand and indicated that tightening in the labor market has begun to put upward pressure on wages.

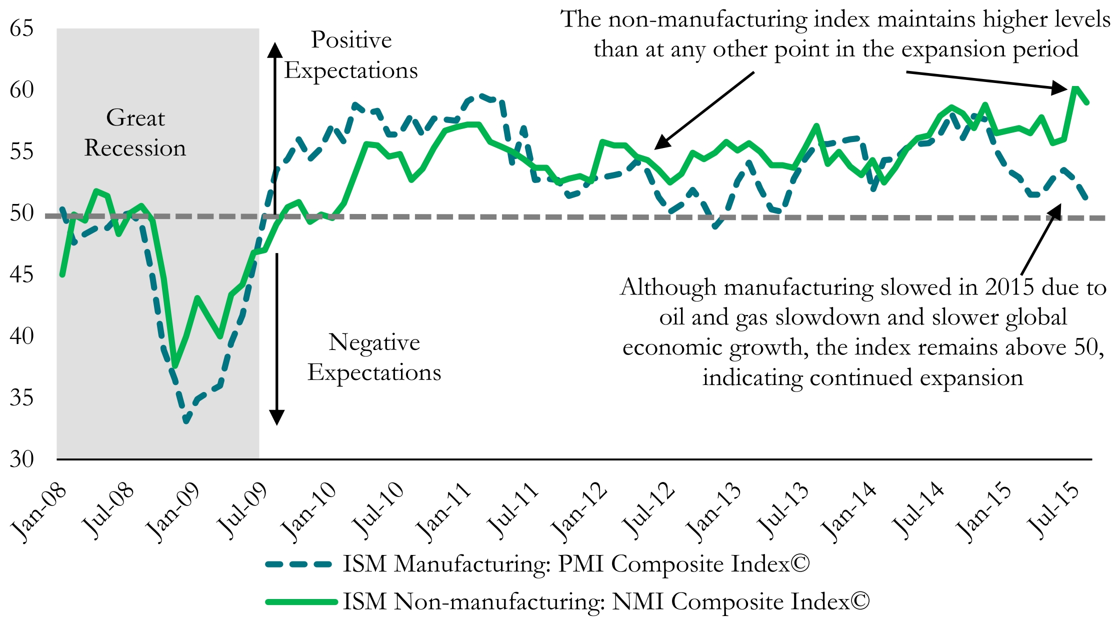
Broad measures of manufacturing and non-manufacturing activity show sustained growth — The Manufacturing Composite Index and the Non-manufacturing Composite Index, both published by the Institute for Supply Management (ISM), indicate both sectors continue to expand, although growth in manufacturing is more modest. These two indices use data collected from business surveys that gauge activity by tracking key behaviors, such as placing new orders, increasing production volume, hiring new employees, and making deliveries. Because these activities tend to precede growing business output, they also can serve as a leading indicator of overall activity.

As shown in Figure 4, the ISM manufacturing index decreased slightly to 51.1 in August from 52.7 in July. However, a reading above 50 indicates that the manufacturing economy continues to expand. Comments from representatives indicate modest to strong growth moving forward, with some noting that lower raw material prices continue to boost manufacturing, while sluggish export growth presents challenges. The month of August marked the thirty-second consecutive month of growth in manufacturing.

The ISM non-manufacturing index remains at a higher level than at any other point in the expansion. Further, businesses in non-manufacturing industries expect continued growth throughout the remainder of the year.

The non-manufacturing index, which covers the largest portion of economic activity in the U.S., dropped slightly to 59.0 in August from 60.3 in July. Despite the decline, the index remains at a higher level than at any other point in the expansion. The month of August marks the sixty-seventh consecutive month for growth in the non-manufacturing sector. Importantly, comments from representatives carried an overall positive tone, indicating expectations for continued growth throughout the remainder of the year.

Figure 4. ISM Manufacturing and Non-Manufacturing Indices, January 2008 to August 2015



Source: Institute for Supply Management

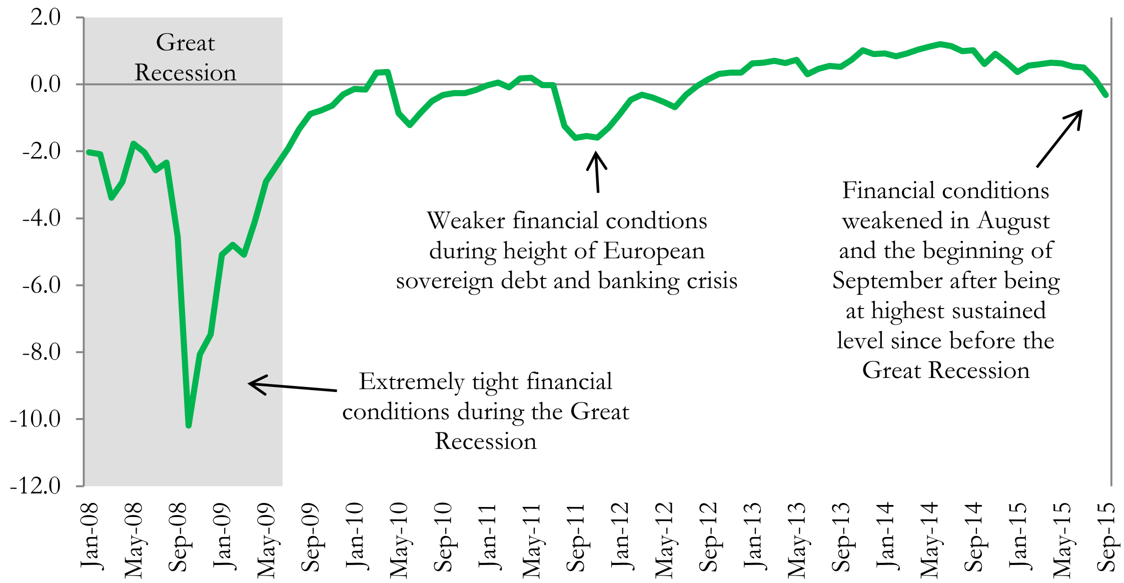
Financial conditions began to tighten in August, signaling concerns over economic growth – Financial conditions in August began to tighten mostly due to concerns over the slowdown in China's growth and the possibility of upcoming monetary policy tightening by the Federal Reserve. The Federal Reserve appears close to targeting an increase in the federal funds short-term interest rate after being close to zero for several years. Financial markets appear to be signaling that economic conditions may not warrant monetary tightening at this time. Prior to the recent volatility, financial conditions were at stronger levels from 2013 through much of 2015, following a prolonged weaker period coming out of the recession and financial market stress emanating from Europe.

In addition to providing information on the outlook among investors, tighter financial conditions can also act as a headwind on economic activity as funding for growth becomes more constrained. Positive financial conditions are important for facilitating economic transactions and channeling funds efficiently to productive uses in the economy.

Additionally, depending on the severity and length of financial market volatility, consumer and business confidence may be negatively impacted by weakening conditions, putting further downward pressure on economic growth. These dynamics show the importance of expectations for economic growth as concerns over future conditions can contribute to a slowdown.

The financial analysis firm Bloomberg publishes an index to measure financial conditions in the U.S. The index assesses the level of stress in the money, bond, and equity markets by measuring yield spreads, financial market volatility, and asset prices. Figure 5 shows the monthly average of the Bloomberg Financial Conditions Index (BFCI) for the U.S. since 2008.

Figure 5. U.S. Financial Conditions, 2008 through mid-September 2015*



Source: Bloomberg
*BCFI levels below 0 represent higher funding stress, volatility in the financial system, and weaker asset prices.

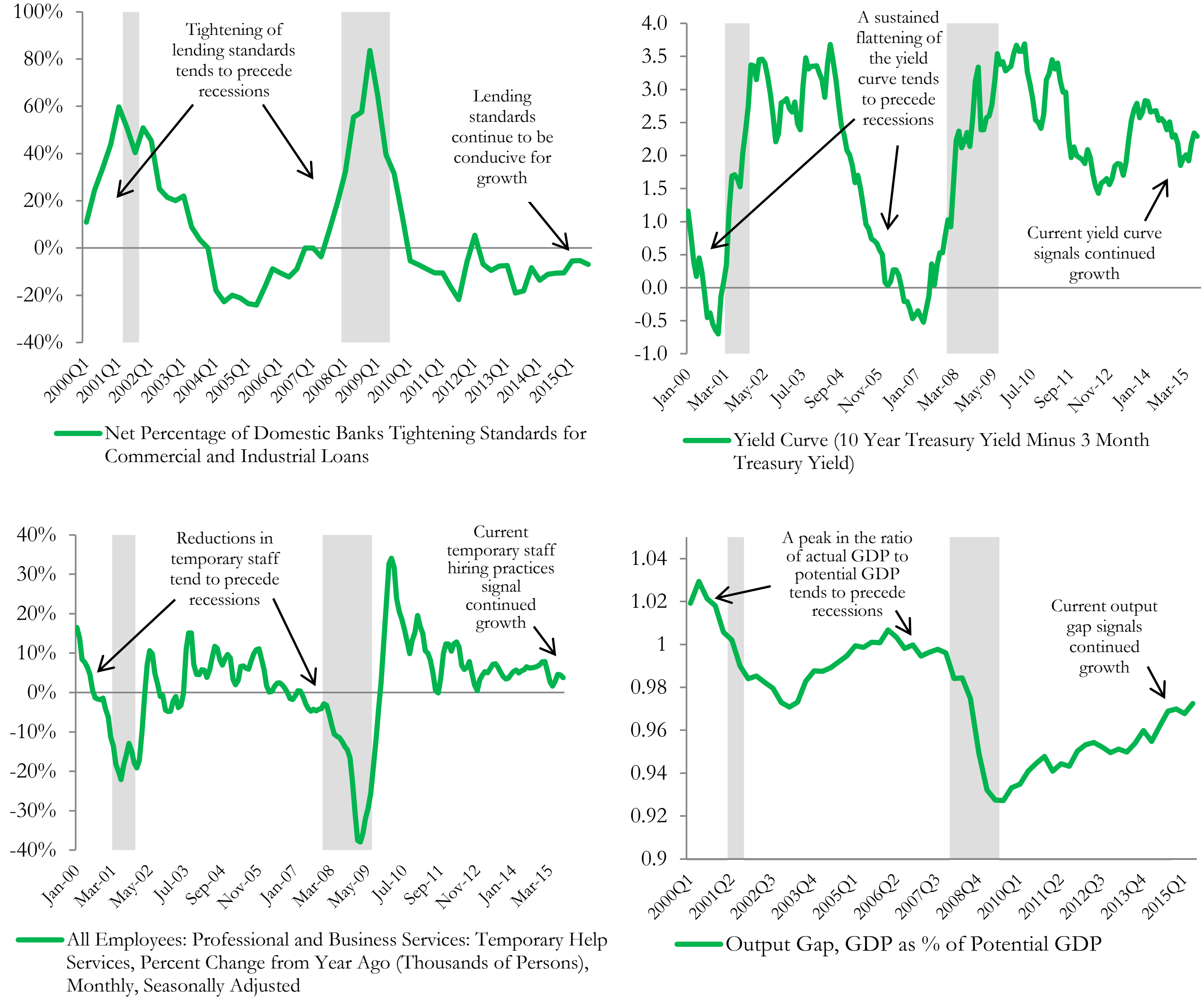
Select economic data associated with the business cycle indicate the economy is expected to continue expanding — Changes in certain economic sectors and activities have historically tended to precede broader changes in overall economic conditions. For example, growth in new business formation indicates that entrepreneurs are undertaking more projects, often leading to new jobs and a broader increase in economic activity. In addition, information from financial markets reflects investors' and risk managers' assessments of current and future economic conditions. Higher expectations can influence future economic activity through the increased supply of credit and investment.

Economic indicators associated with the business cycle, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. Financial markets, though recently volatile, also show expectations of continued, albeit modest, growth.

This type of data can be used as a guide to understand where the economy may be in the business cycle, and whether any change in momentum is likely in the near future. However, business cycles are extremely difficult to predict and no information can reliably determine the point in the business cycle in real time.

Indicators associated with the business cycle across sectors of the economy, such as business lending practices and the hiring of temporary workers, currently point to continued expansion. Further, financial markets, such as stocks, credit spreads, and treasury inflation-protected securities — though in some cases volatile recently — are not showing expectations of a major slowdown. Figure 6 depicts the behavior of four such economic indicators that can provide information on future economic conditions.

Figure 6. Selected Indicators on Business Cycle, 2000 to Present*



*Shading indicates recessionary periods
Source: U.S Bureau of Labor Statistics, Federal Reserve, Congressional Budget Office

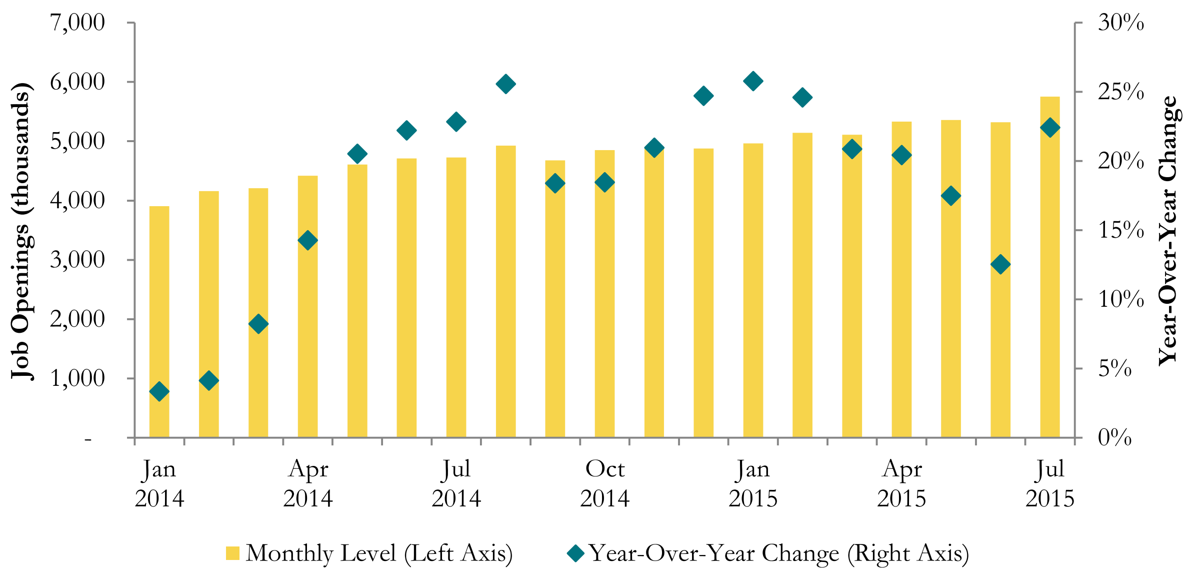
The top left graph shows banks continuing to have more accommodative lending standards for commercial and industrial (business) loans. This indicates a rise in the supply of credit to borrowers that helps sustain economic growth. The top right graph shows that the "yield curve" — the difference between the yield on the three-month Treasury bill and the ten-year Treasury bond — indicates continued modest to moderate growth. The yield curve helps gauge risk appetite in financial markets as well as expectations of future inflation. The yield curve has been found to signal the future rate of growth in the economy as well as potential recessions.

The bottom left graph shows businesses increasing their hiring of temporary employees, indicating continued growth in economic activity. Businesses tend to reduce their temporary workers before permanent staff when they experience slower business activity. The bottom right graph shows the "output gap" — measured by the current level of U.S. gross domestic product (GDP) compared with "potential GDP" as estimated by the Congressional Budget Office. The current gap shows that the national economy has been operating below potential, indicating that the excesses that have tended to precede economic downturns in the past do not exist on a large scale in the current economic environment.

In July, job openings reached their highest levels ever, while total new online help-wanted ads through August were 4.7 percent higher compared with the same period last year. Other indicators also point to more positive labor market conditions.

The national job market continues to grow — The U.S. economy added 2.9 million jobs from August 2014 to August of this year, up from growth of 2.7 million in the previous one-year period. Several other indicators point to an improving labor market across the country. As shown in Figure 7, seasonally-adjusted job openings hit their highest level ever in July, growing by 22.4 percent from a year earlier to 5.75 million openings. In addition, the quit rate remained steady at 1.9 percent, much higher than its recession era low of 1.3 percent. The quit rate is a good indicator for gauging workers' level of confidence in leaving their job, so higher measurements indicate a more positive outlook in the labor market.

Figure 7. Job Openings, Monthly Level and Year-Over-Year Percent Change

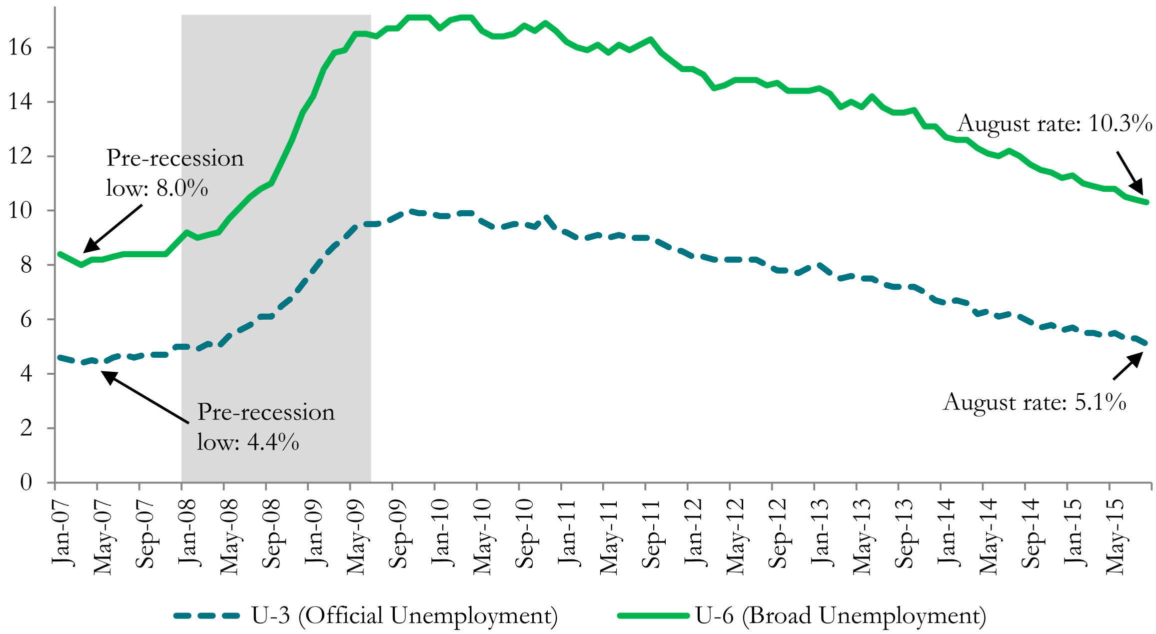


Source: U.S. Bureau of Labor Statistics

Unemployment insurance claims fell consistently through early September; the initial claims number of 275,000 for the week ending September 5 was among the lowest in the past 40 years. The Conference Board's "Help-Wanted OnLine" index, which tracks online help-wanted ads, showed that employers posted 21.3 million new advertisements through August of this year, a 4.7 percent increase over the same period last year. In addition, nearly 22 percent of respondents to the August Consumer Confidence Index survey believed that jobs were plentiful, a higher share than any month since the Great Recession.

The national unemployment rate has fallen to a new post-recession low — The official unemployment rate—referred to as the U-3 rate —dipped to 5.1 percent in August, down 0.6 percentage points from January and a full percentage point from August 2014. In addition, a broader measure of unemployment suggests a continued slow but steady recovery in the labor market. The U-6 rate augments the official unemployment rate by accounting for individuals who are discouraged from searching for work, or who are only working part time for economic reasons. As Figure 8 shows, the U-6 rate dropped to 10.3 percent in August, its lowest level in seven years. While the gap between the current U-6 level and its pre-recession low is still bigger than the same gap for the U-3 rate, consistent decreases point to a strengthening in worker expectations and the job market in general.

Figure 8. National U-3 and U-6 Rates



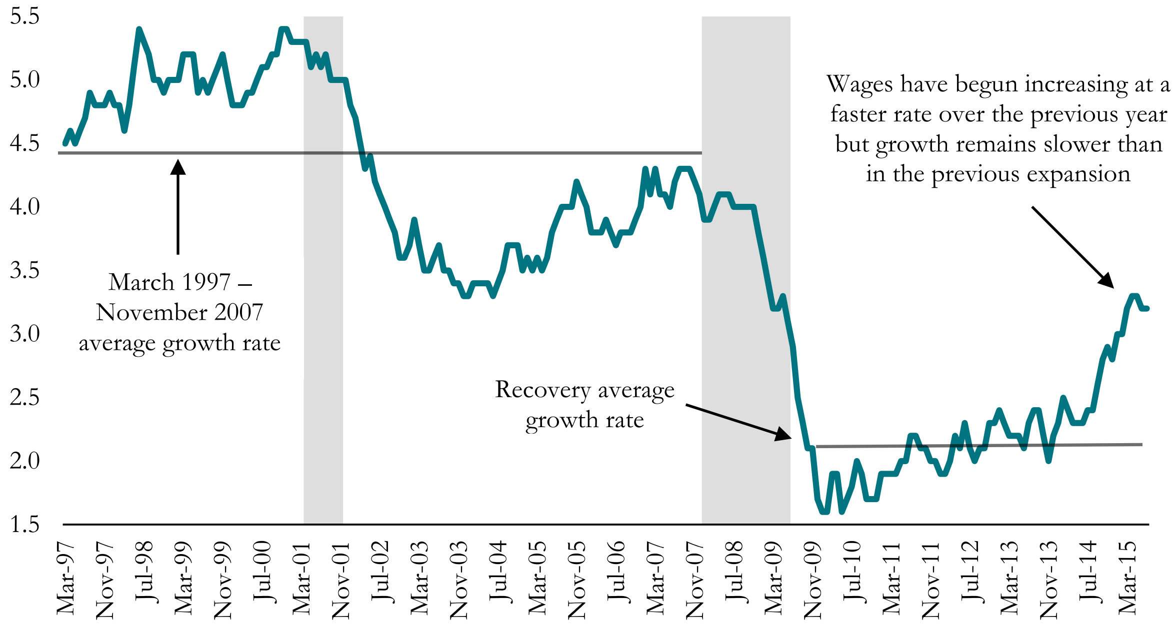
Source: U.S. Bureau of Labor Statistics

Wage growth has picked up, but remains lower than the previous expansion **—** The following figure illustrates the wage growth tracker produced by the Federal Reserve Bank of Atlanta. The tracker indicates wages are currently increasing at a pace of 3.2 percent. The wage tracker is constructed using data from the Current Population Survey administered by the Bureau of Labor Statistics and tracks the median percent change in the hourly wage of individuals compared with the previous year.

Wage growth continues its upward trend, but remains below pre-recession levels.

Although wage growth is trending upward and has accelerated, wage growth remains lower than the period before the Great Recession. Wage growth averaged 4.4 percent over the period March 1997 through December 2007, but has averaged only 2.2 percent since January of 2010.

Figure 9. Federal Reserve Bank of Atlanta's National Wage Growth Tracker (3-month moving average), March 1997 to July 2015



Source: Federal Reserve Bank of Atlanta

International Economic Conditions and Trade

Turbulence in China's financial sector and real economy pose a downside risk for the global economy **—** The slowdown in China's economy and tumult in the country's stock market are weakening growth prospects for countries around the world. Chinese exports were down 2.2 percent in the second quarter from the same period last year, an especially worrying sign in a country where exports account for nearly a quarter of GDP. Market research firm Markit reported that China's Purchasing Managers' Index—a snapshot of operating conditions in the manufacturing sector—fell at its fastest rate in August since March 2009.

China's stock market lost over 34 percent of its value from June to August despite intervention from the central government, contributing to volatility in markets around the world. In response to these indicators, Goldman Sachs analysts have revised down their China growth forecasts by three to four percentage points for each of the next three years.

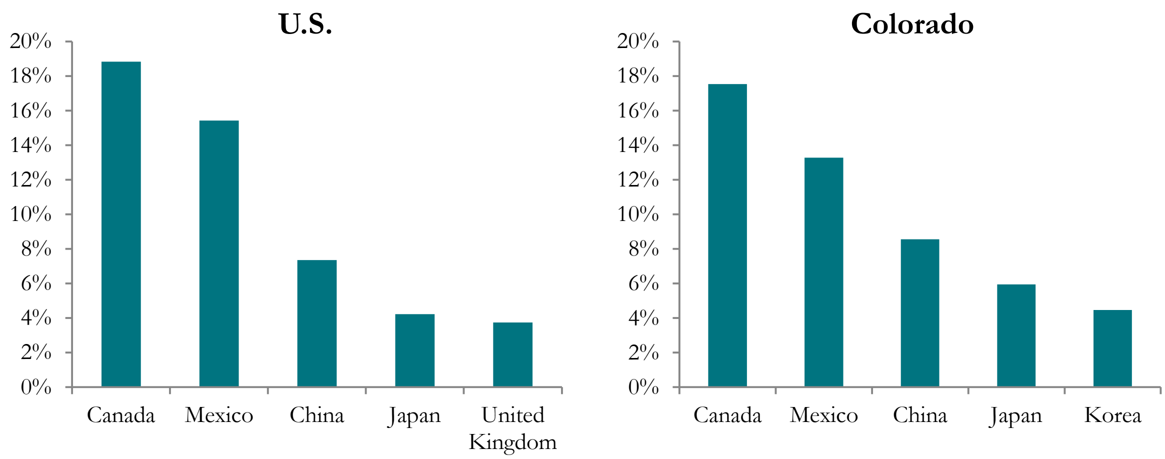
Growth in China's economy has fueled a large share of global economic growth in recent years. The rapid spread of market volatility in several countries in August and September is a sign of China's increasing importance to the world economy, and an indication of the risks posed by a prolonged slowdown for the country.

Chinese exports were down 2.2 percent in the second quarter from the same period last year, and manufacturing conditions are deteriorating at their fastest rate since early 2009.

The U.S. and Colorado's limited exposure to China should act as a buffer from the negative impacts of the slowdown there **—** As shown in Figure 10, the U.S. sent only 7.3 percent of exported goods and services to China in the first half of 2015. Similarly, Colorado's goods exports to China made up only 8.5 percent of the state's total goods exports. This represents less than half of a percent of Colorado's GDP. As a result, the direct trade-related impacts of China's slowdown on the U.S. and Colorado economies should be limited.

Other global economies that rely on China more heavily as a purchaser of their commodity exports, such as Australia and many developing economies, stand to feel the effects of the slowdown more acutely. Colorado could be affected to a larger extent from the slowdown in China if it has a major impact on the economies of other important trading partners like Canada, Mexico, and Japan. Further, a prolonged slowdown in China that greatly lowers expectations for growth in the U.S. with continued tightened financial conditions would have larger negative effects on the Colorado and U.S. economies.

Figure 10. Share of U.S. and Colorado Exports to Top Five Trading Partners, First Half of 2015



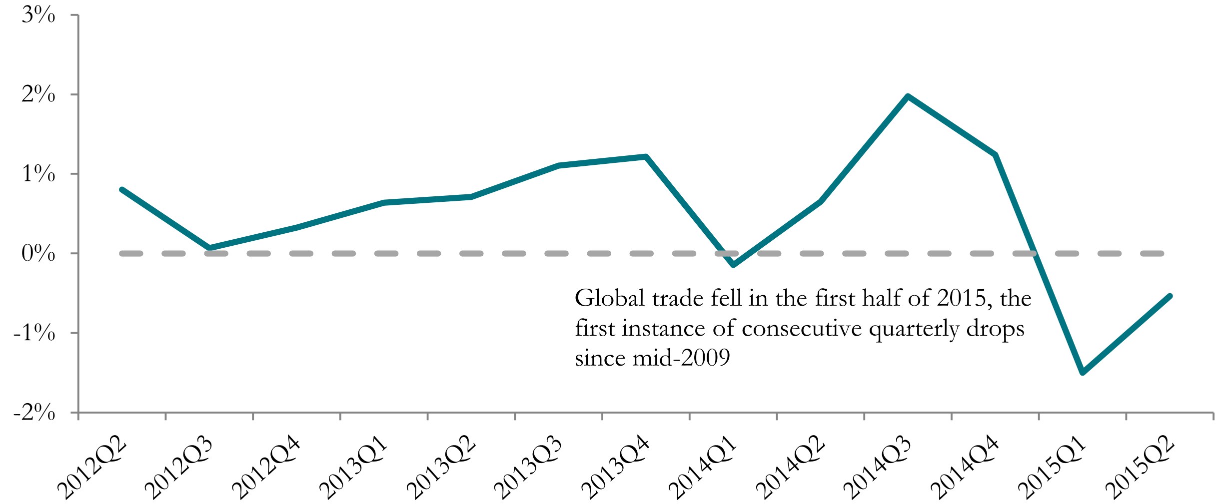
Source: WISERTrade

U.S. net exports fall at the same time that global trade lags, acting as a headwind on economic growth – The U.S. dollar has appreciated against major currencies by 24.7 percent since the beginning of 2013, and by 8.9 percent in 2015 alone. This has resulted in a more "expensive" dollar compared to foreign currencies. Net exports fell during the same period, dropping by 4.3 percent from July 2014 to July 2015. Weaker net exports act as a drag on economic growth in the U.S., although the impact is limited as exports make up only 12 to 13 percent of overall output.

Global trade stalled in the first half of this year as economic growth around the world remained weak. Sluggish global conditions will act as a headwind on economic growth in the U.S. and Colorado, but are not expected to cause a downturn.

Global trade also slowed in the first half of this year. Figure 11 shows that total world trade fell by 1.9 percent in the first half of 2015, the biggest decrease since 2009. August export numbers for many countries indicate that trade continues to fall. Exports from countries like Korea, Japan, and China, and regions such as Europe and Latin America all fell in August from their levels a year ago. One bright spot was Canada, where exports in July reached a record high, thanks in large part to the strength of the U.S. economy and the dollar.

Figure 11. Quarter-Over-Quarter Percent Change in International Trade Index



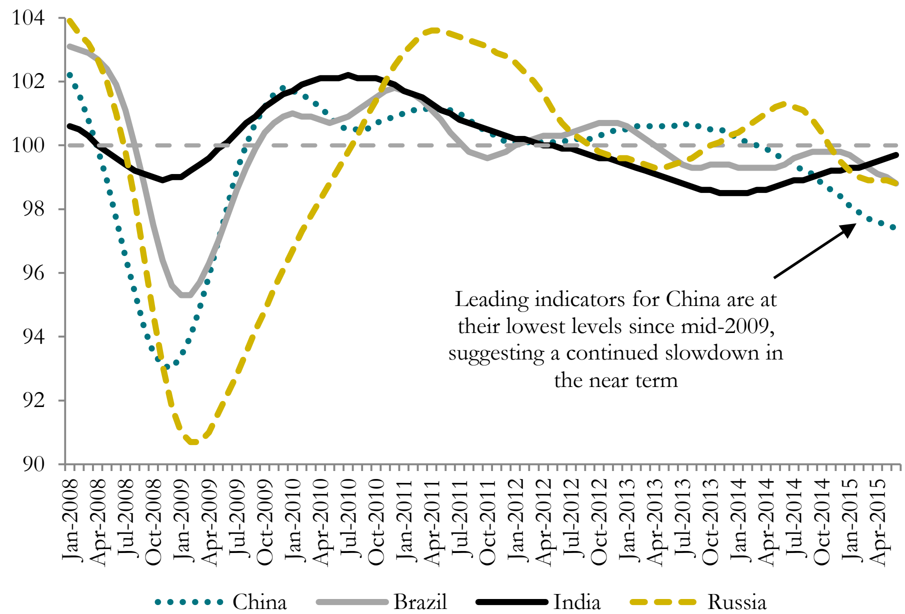
Source: CPB World Trade Monitor

Leading indicators for BRIC countries suggest significant downturns in major developing economies, especially those that are dependent on commodity exports.

***Leading indicators point to continued struggles in developing economies* —** The Composite Leading Indicators, published by the Organization for Economic Cooperation and Development (OECD), were created to anticipate the activity of an economy about six months into the future. As shown in Figure 12, these measurements portend continued slower growth for developing countries like China, Brazil, India, and Russia (the so-called BRIC countries), each of which come in under the growth-neutral index score of 100.

China's leading index is at its lowest point since mid-2009, suggesting a continued slowdown for the country over the coming months. Industry survey data from research firm Markit shows that manufacturing in China and Southeast Asia fell throughout the first half of this year. Growth prospects are especially weak for economies like Brazil and Russia that are heavily reliant on China's purchases of commodity exports.

Figure 12. Composite Leading Indicators for Major Developing Economies



Source: Organization for Economic Cooperation and Development

Oil and Gas Industry Conditions

Further contractions in the oil and gas industry are expected due to the recent downturn in oil prices.

As oil and gas prices remain suppressed by robust supply and dampened demand, further contraction in the industry is expected. Based on more recent jobs data, and with the recent volatility and decrease in the price of oil, it is likely that oil and gas industry employment losses will be larger than the 10 percent drop estimated in prior OSPB forecasts. Direct employment in the oil and gas industry is now expected to decline by approximately 15 percent this year.

As growth in the oil and gas industry over the previous few years contributed a large share of the overall growth in employment and income in Colorado, the slowdown in the industry has implications for the rest of the economy. However, expansion in other industries in Colorado continues to outweigh the slowdown in the oil and gas industry. Further, lower oil prices help households and businesses that consume oil-related products. Therefore, overall employment growth is expected to continue in 2015, albeit at a slower pace than in 2014. Job growth for the state is forecast to be 2.8 percent in 2015, 0.7 percentage points slower than 2014's 3.5 percent growth.

Oil prices continue to drop below expectations **—** After averaging $53 per barrel during the first half of 2015, the price of West Texas Intermediate crude oil dropped to a low of $42.87 in August and has remained below $50 in September. Forecasts for future prices range widely and energy analysts continue to reduce their estimates. The Energy Information Administration (EIA) has lowered its price projection of West Texas Intermediate oil to an average of $49.23 per barrel this year and to $53.57 per barrel in 2016. It is possible, however, that oil prices will be lower than forecast due to continued global oil production growth.

According to the July Energy Survey administered by the Federal Reserve Bank of Kansas City, firms within the Kansas City District, which includes Colorado, said an oil price of $73, on average, would be needed for a substantial increase in activity to occur. The respondents expected prices to remain below that level through the end of 2016.

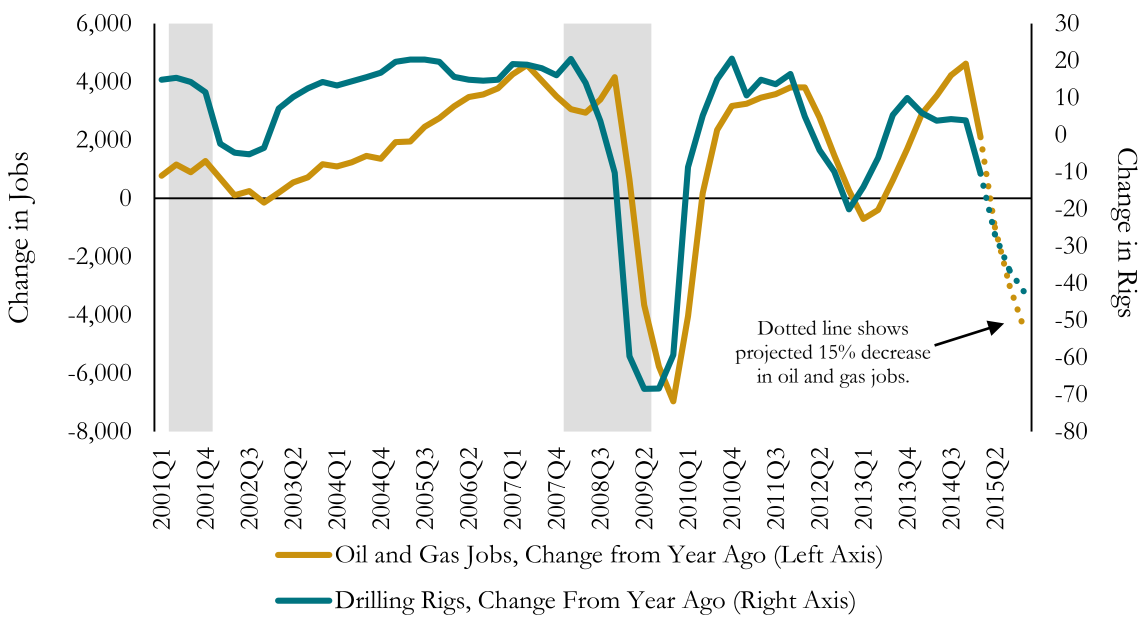
The oil and gas industry continues to contract **–** Employment data from the Colorado Department of Labor and Employment indicates that employment in the industry decreased 11 percent, or by 3,434 jobs, from December 2014 to March 2015. Continued contractions in employment are expected to result in approximately 15 percent fewer jobs in the industry by the end of 2015, which equates to 4,500 jobs.

Continued contractions in oil and gas employment are expected to result in approximately 15 percent fewer jobs in the industry by the end of 2015.

The number of oil and gas rigs operating in Colorado appeared to be stabilizing around the 38 rig mark as of the middle of August, down from 77 last September. However, recent weekly rig counts suggest a further contraction. The number of rigs in operation stood at 33 in the third week of September.

Figure 13 examines the relationship between drilling rigs and oil and gas employment. The data indicates that changes in drilling rigs are highly associated with changes in employment levels. The current trends in operating rigs are consistent with about a 15 percent decline in employment this year if the relationship maintains a similar pattern.

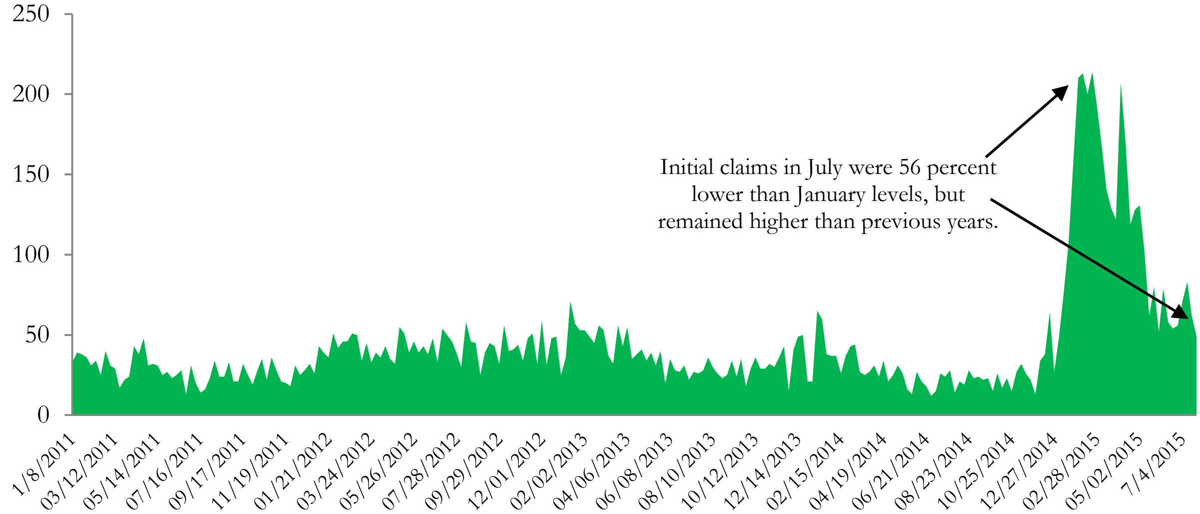
Figure 13. Oil and Gas Employment and Operating Drilling Rigs in Colorado, 2001 through First Quarter of 2015, Projections through Fourth Quarter of 2015



Source: Colorado Department of Labor and Employment; Baker Hughes

Recent trends in initial unemployment claims in the oil and gas industry indicate layoffs in the industry have slowed since the beginning of the year. As shown in Figure 14, initial claims reached their highest levels in January and February of this year with 603 and 819 claims, respectively. Initial claims trended downward through July, decreasing to 265 claims, but remain higher than in the previous four years. While the recent trend indicates that the majority of layoffs in the industry may have already occurred, layoffs could begin to increase again if oil prices remain at their current levels or drop further.

Figure 14. Oil and Gas Weekly Initial Unemployment Claims, January 2011 through July 25th 2015



Source: Colorado Department of Labor and Employment

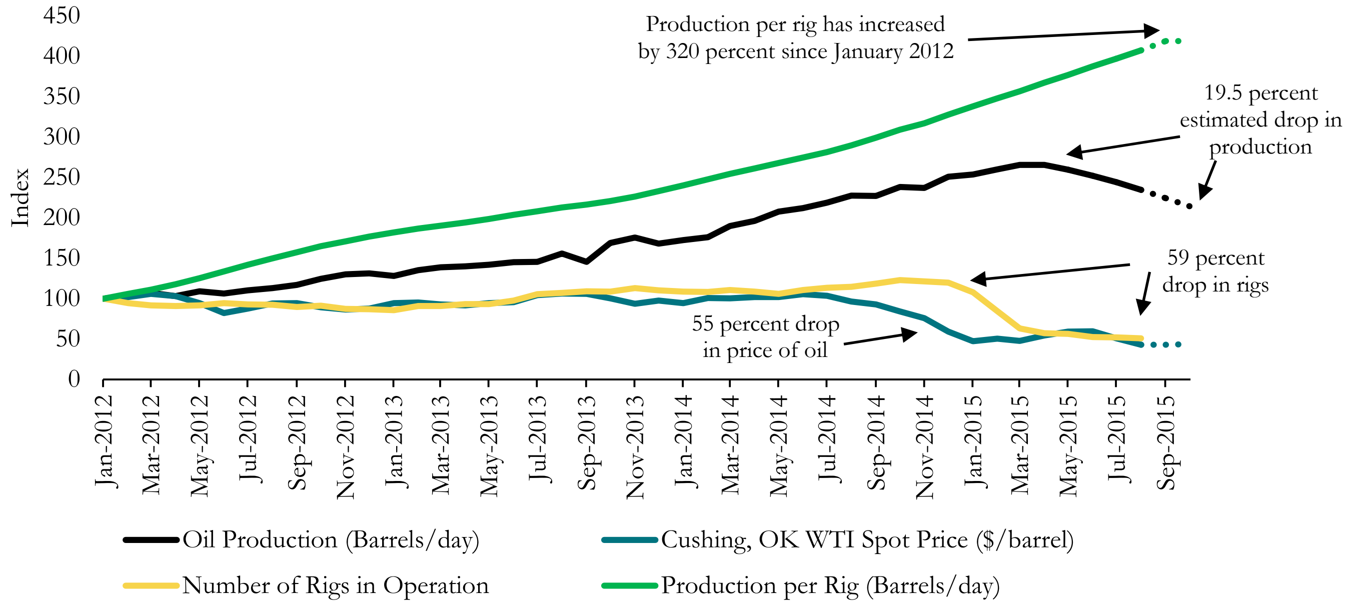
***Oil production is beginning to decrease* —** Until recently, production of crude oil seemed to be little impacted by the 55 percent drop in oil prices as firms became increasingly efficient at producing oil with new technology and extraction methods. With the expectation that prices would begin rebounding by the end of 2015, firms continued to increase production well into the first half of 2015. As prices remain low and have recently dropped further, production has begun to fall and is expected to continue on its downward trajectory. National forecasts by the EIA have daily oil production decreasing by 2 percent through the end of 2015, then decreasing another 4.3 percent in 2016.

Oil production in the Niobrara region has been a key driver of Colorado's current oil expansion. As shown in Figure 15, production in the Niobrara increased rapidly since 2012 and continued to increase while rigs began dropping in January 2015. This rise in production was possible because of the rapid increase in productivity per rig, which has increased 320 percent since January 2012.

Projections for the Niobrara region have oil production decreasing by 92,000 barrels per day, or 19.5 percent, from March through October of this year.

Oil production in the region began declining in April 2015 and is projected to continue falling. EIA projects a decrease in production in the Niobrara region of 92,000 barrels per day, or 19.5 percent, from March 2015 through October 2015. The declines in oil production in Colorado and the U.S. along with increasing demand for oil-related products from lower prices will eventually begin to place upward pressure on prices. However, high oil production capacity worldwide should keep prices at lower levels for some time.

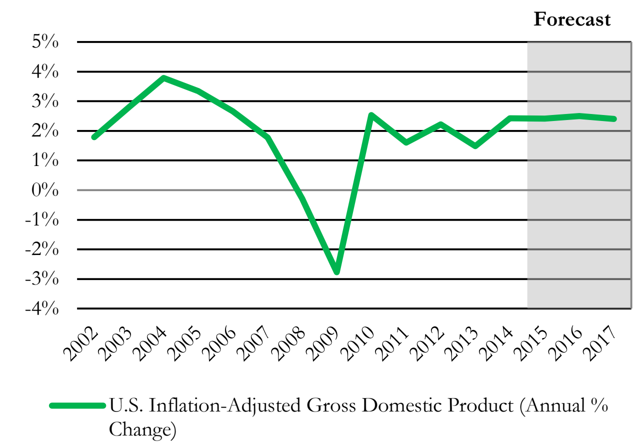
Figure 15. Index of Daily Crude Oil Production and Operating Drilling Rigs in Niobrara Region, Price of West Texas Intermediate Crude Oil per Barrel, January 2012 through August 2015, EIA Projections through October 2015



Source: U.S. Energy Information Agency, Baker Hughes. January 2012 Index = 100

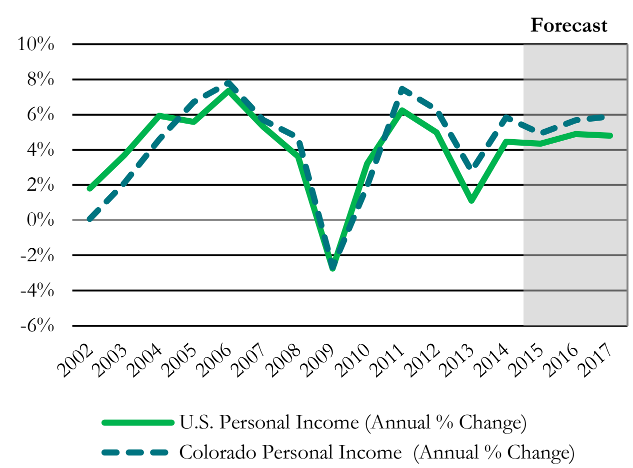
Summary of Key Economic Indicators
Actual and Forecast

U.S. Gross Domestic Product (GDP)



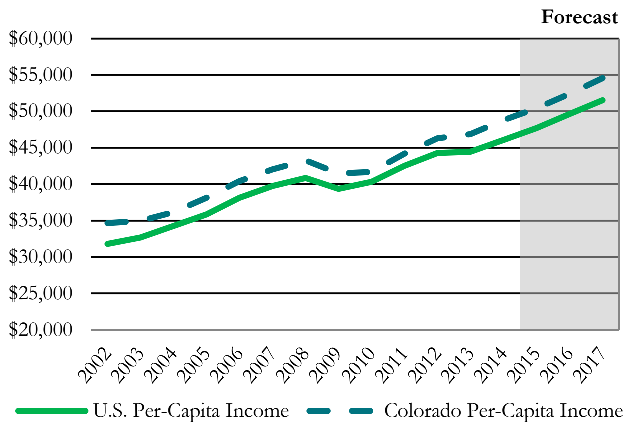
- GDP is a barometer for the economy's overall performance and reflects the value of final output in the U.S.
- The U.S. economy is expected to weather some global headwinds to achieve GDP growth of 2.4 percent in 2015 and slightly higher growth of 2.5 percent in 2016.

U.S. and Colorado Personal Income



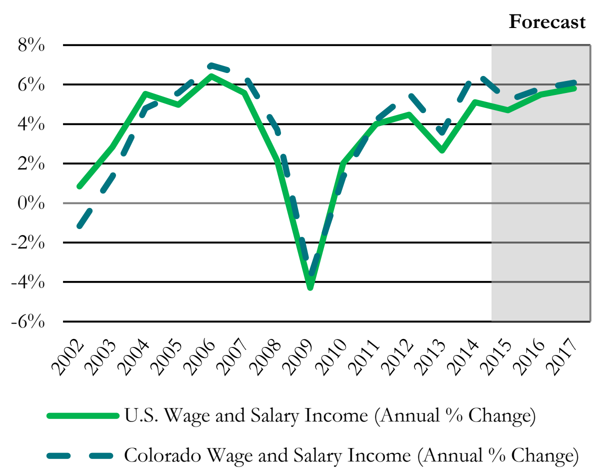
- Personal income growth in Colorado will slow to 4.9 percent in 2015, largely as the result of the oil and gas slowdown. However, the state's healthy overall economy will result in a rebound in 2016 to 5.7 percent personal income growth.
- National data for the first two quarters of 2015 shows that personal income growth is on track to be 4.3 percent for the year, and continued improvements in the labor market will lead to 4.9 percent growth in 2016.

U.S. and Colorado Per-Capita Income



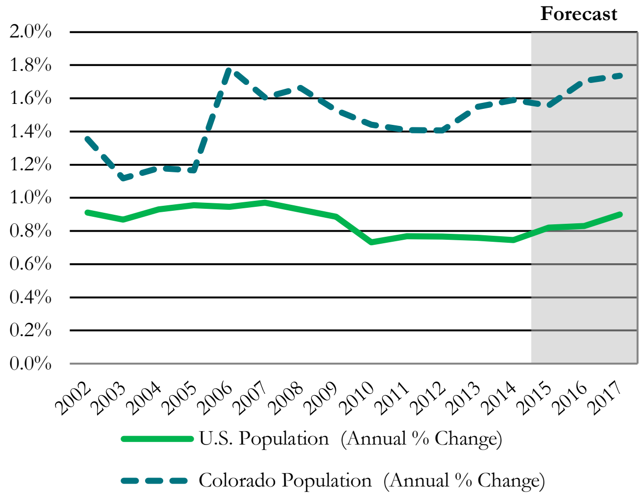
- Per-capita income in Colorado will grow to $50,441 in 2015 and $52,407 in 2016.
- Nationally, per-capita income will increase to $47,693 in 2015 and $49,618 in 2016.

U.S. and Colorado Wage and Salary Income



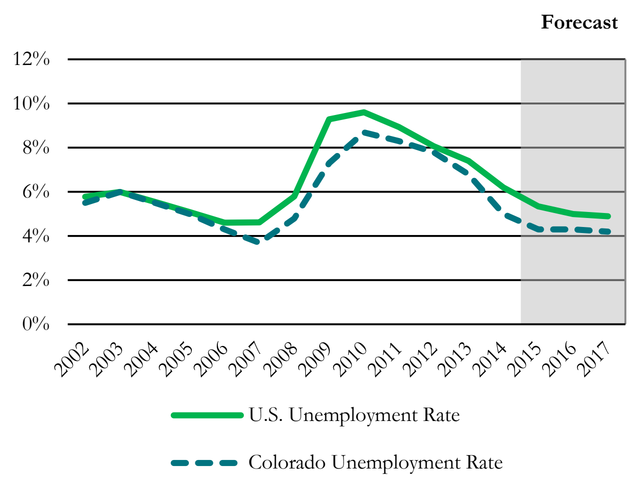
- Wage and salary growth in Colorado will slow somewhat in 2015 from the 2014 increase of 6.3 percent, partly as the result of the oil and gas slowdown. The forecast growth rate for 2015 is 5.2 percent, with higher growth of 5.8 percent in 2016.
- Wage and salary income for the nation will increase 4.7 percent in 2015 and 5.5 percent in 2016.

U.S. and Colorado Population



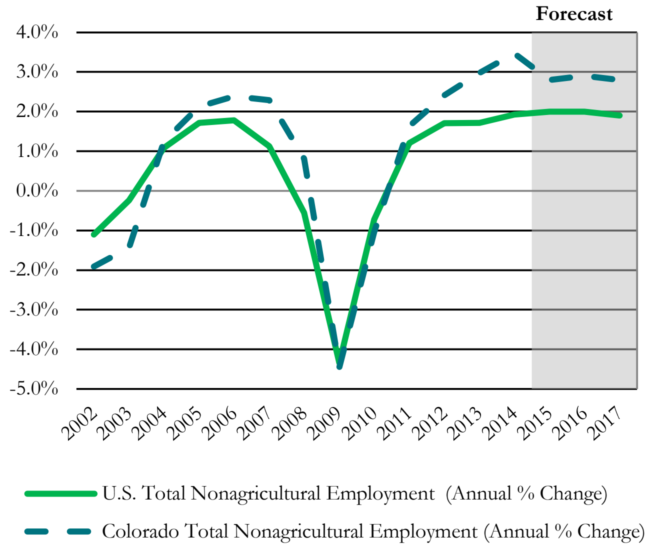
- Increasing net migration rates are expected to boost Colorado's population 5.1 percent from 2014 to 2017. The state's total population is expected to reach 5.63 million by the end of that period.
- The country as a whole is expected to grow about half as quickly on an annual basis, with population rising by only 2.6 percent between 2014 and 2017.

U.S. and Colorado Unemployment



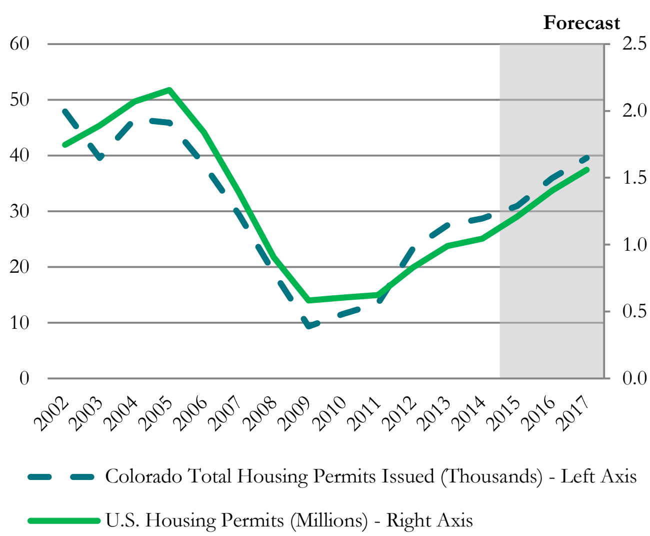
- Colorado's unemployment rate fell to 4.2 percent in January of this year and has remained at or near that level despite a contraction in the oil and gas industry. OSPB forecasts that the state will average 4.3 percent for 2015 and remain at that level through 2016.
- OSPB forecasts the national unemployment rate will remain higher than Colorado's at 5.4 percent in 2015, and drop to 5.0 percent in 2016.

U.S. and Colorado Total Nonagricultural Employment



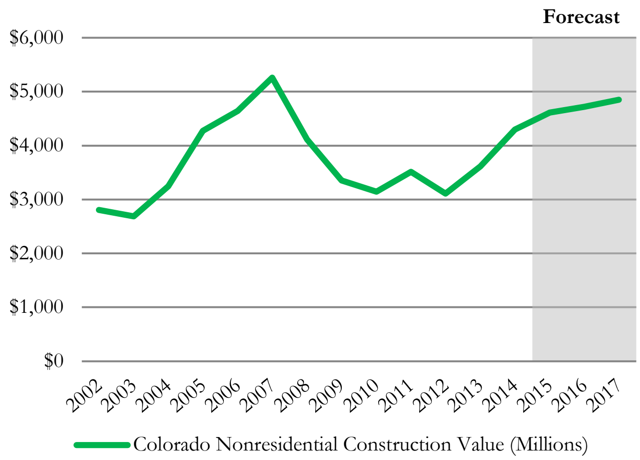
- OSPB projects that continued broad-based economic growth in the state will result in a 2.8 percent rise in nonfarm employment in 2015. Growth in 2016 should increase slightly to 2.9 percent.
- U.S. nonfarm payroll jobs will increase 2.0 percent in both 2015 and 2016.

U.S. and Colorado Housing Permits Issued



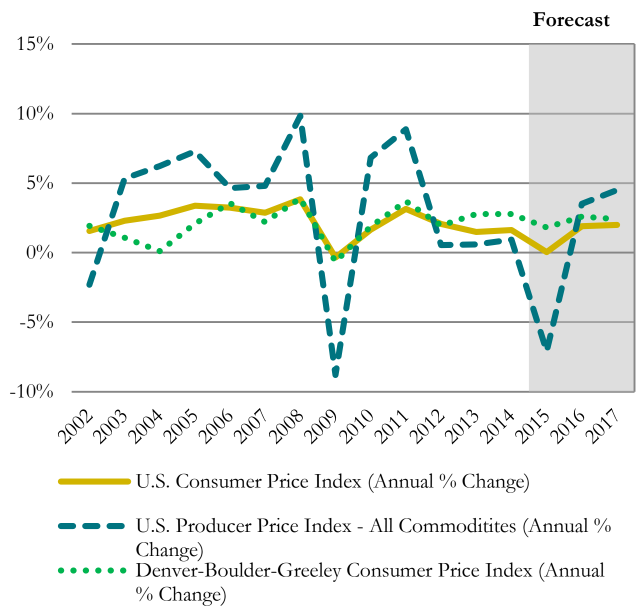
- After slow growth in 2014, Colorado residential construction permits will increase 7.9 percent in 2015 and 16.1 percent in 2016, when 35,900 permits will be issued. The increases will be driven by strong housing markets in metro areas in the state.
- Similarly, U.S. housing permits will rebound from slow 2014 growth to increase 15.6 percent in 2015 and 16.1 percent in 2016.

Colorado Nonresidential Construction Permits



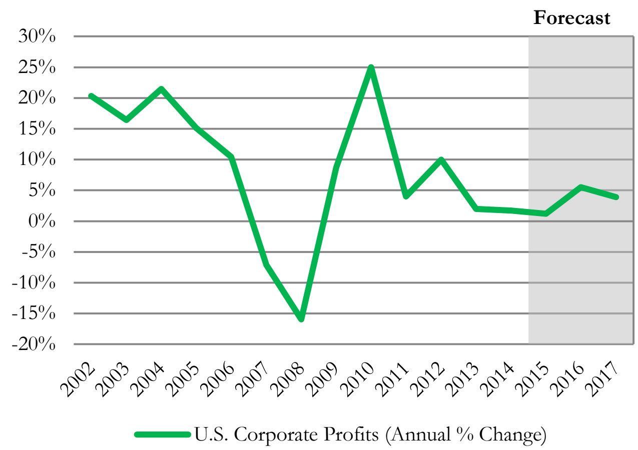
- Following 2014, in which the value of nonresidential construction permits reached $4.3 billion, growth will moderate in 2015 to 7.3 percent for a final value of $4.6 billion. The value of nonresidential construction is expected to grow throughout the forecast period.

Consumer Price Index and Producer Price Index



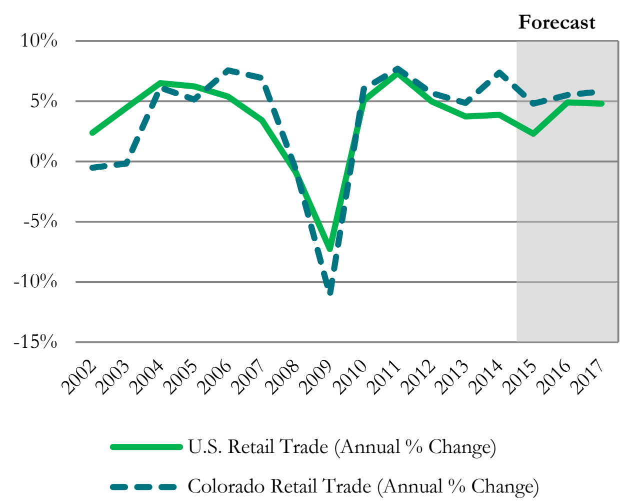
- Nationally, prices have remained essentially flat for the first seven months of 2015, largely due to falling gas prices. OSPB projects zero growth in the nationwide Consumer Price Index for the year. Prices are expected to rise 1.9 percent in 2016.
- The national Producer Price Index will fall 7.1 percent in 2015, largely due to low fuel and commodity prices, but will grow 3.5 percent in 2016.
- The Denver-Boulder-Greeley Consumer Price Index (CPI) will grow 1.8 and 2.6 percent in 2015 and 2016, respectively, mostly due to continued rising housing costs.

U.S. Corporate Profits



- U.S. corporate profits will continue to grow slowly throughout the forecast period as the business cycle matures and rapid post-recession gains become harder to achieve.
- Profit growth will fall slightly in 2015 to 1.2 percent before recovering with 5.5 percent growth in 2016.

Retail Trade



- Retail trade sales in Colorado will grow more slowly in 2015 than in the previous year, posting 4.8 percent growth. Sales will increase 5.5 percent in 2016.
- Nationwide retail trade will grow 2.3 percent in 2015 and 4.9 percent in 2016.

General Fund and State Education Fund Revenue Forecast

The forecast for General Fund revenue in FY 2015-16 is a 3.9 percent increase. This projection is $78.9 million, or 0.8 percent, lower than forecasted in June. The lower forecast is mostly due to reduced expectations for individual and corporate income tax collections based on slightly slower job and income gains in the state than projected in June, the recent declines in the stock market, and further weakening in oil prices that will lower income tax revenue from royalty payments. Preliminary total collections data for FY 2014-15 shows that General Fund revenue was $15.3 million, or 0.2 percent, lower than June's forecast. General Fund revenue increased 9.2 percent in FY 2014-15 over the prior year.

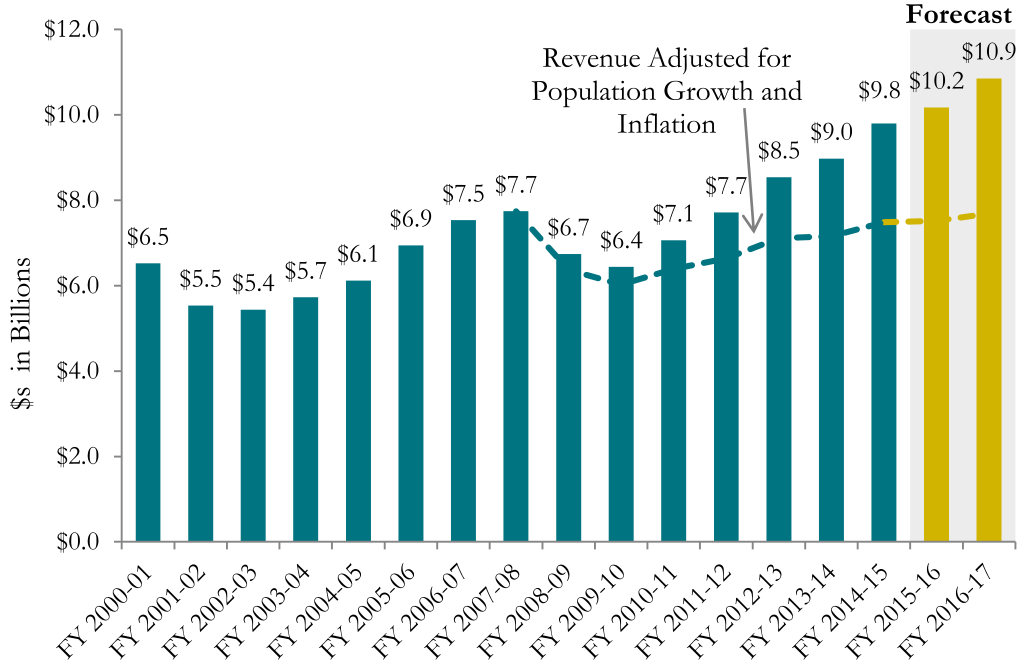
After robust growth in income tax wage withholdings, estimated payments, and sales tax collections in FY 2014-15, more modest growth in these revenue sources — the largest sources of General Fund revenue — will occur in FY 2015-16. Economic growth is moderating somewhat due to the contraction in the oil and gas industry and from global economic headwinds. An expectation for more modest growth in capital gains income and a decline in oil and gas royalty income will also contribute to slower income tax revenue growth for FY 2015-16. Furthermore, the availability of the State Earned Income Tax Credit will begin to reduce tax collections starting in FY 2015-16. After becoming a TABOR refund mechanism in FY 2014-15, the credit will be available starting in tax year 2016, lowering revenue collections throughout the forecast period. It should be noted these factors were expected in prior forecasts, and the recent adjustments are small in the context of the continuation of similar basic assumptions about the future.

General Fund revenue growth for FY 2016-17 is expected to rebound from the slower growth in FY 2015-16 with continued economic expansion in the state. General Fund revenue is forecast to increase 6.7 percent in FY 2016-17. Despite the increase, the FY 2016-17 growth rate is still below the high rates experienced in most years of the current expansion.

After strong increases in General Fund revenue in FY 2014-15, growth will moderate in FY 2015-16 due to several factors, including the contraction in the oil and gas industry and less growth in income sources subject to estimated income tax payments, most notably capital gains and oil and gas royalty payments.

Figure 16 shows actual and projected total General Fund revenue from FY 2000-01 through FY 2016-17. The figure includes a dotted line reflecting revenue adjusted for inflation and population growth since FY 2007-08. A more detailed forecast of General Fund revenue by source is provided in Table 3 in the Appendix.

Figure 16. General Fund Revenue, Actual and Forecast, with Revenue Adjusted for Population Growth and Inflation



Source: Office of the State Controller and OSPB

Discussion of Forecast for Major General Fund Revenue Sources

The following section discusses the forecasts for the three major General Fund revenue sources that together make up 95 percent of the total: individual income taxes, corporate income taxes, and sales and use taxes. General Fund revenue from the remaining group of miscellaneous sources — such as taxes paid by insurers on premiums and excise taxes on tobacco products and liquor — will continue to grow modestly over the forecast period. For FY 2014-15 only, this miscellaneous group of sources included a portion of severance tax collections from mineral extraction in the state. As discussed on page 46, SB 15-255 credited the first $20 million of state severance tax revenue received in May and June to the General Fund. Actual severance tax collections in these months amounted to only $16.2 million. This amount is included in other income in line 16 of Table 3 in the Appendix. This money helps pay for the FY 2014-15 TABOR refund paid out of the General Fund.

Individual income tax – Growth in individual income tax collections will moderate to 3.6 percent in FY 2015-16 after robust gains of 11.5 percent last fiscal year. Individual income tax revenue will grow 8.1 percent in FY 2016-17.

Growth in individual income tax collections will moderate in FY 2015-16 after robust growth last fiscal year. The slower growth is due to the contraction in the oil and gas industry, slower expected growth in investment income, and tax policies that will reduce tax liabilities.

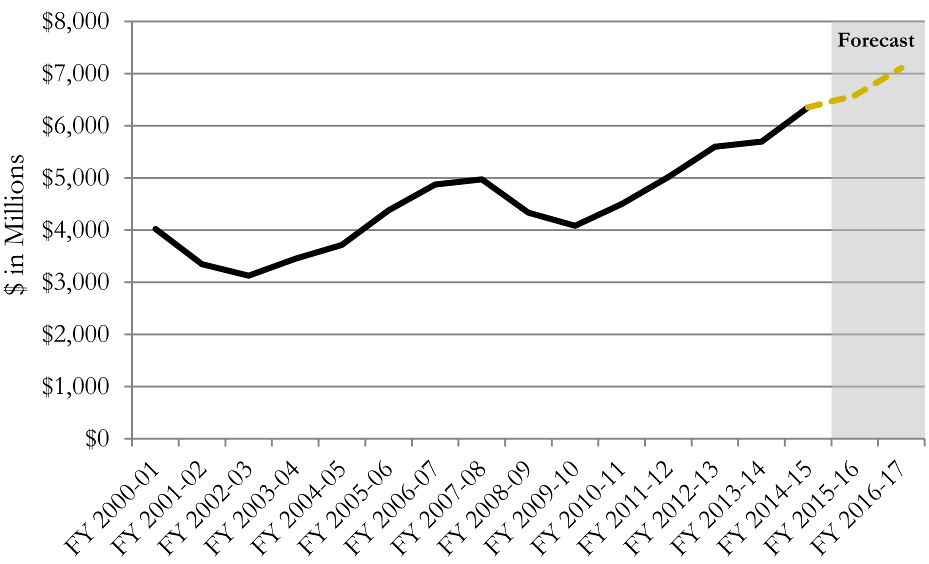
The slower growth this fiscal year is due in part to the contraction in the oil and gas industry, which will reduce wages, business income, and oil and gas royalty payments. Global headwinds are also weighing on economic growth. Wage withholdings collections are forecast to grow 4.3 percent this fiscal year after 8.1 percent growth in FY 2014-15. Wage withholding will increase 7.1 percent in FY 2016-17, though a portion of the increase is due to an expected large accrual accounting adjustment tied to the end of June's pay period that year.

Estimated income tax payments are expected to grow 7.3 percent in FY 2015-16, much slower than the 24.7 percent increase last fiscal year. This slower growth is due to declining oil and gas royalty payments from the fall in the oil and gas prices and slower growth in capital gains income. Estimated payments are still projected to increase overall as economic growth will generate income gains from several sources that are typically subject to estimated payments, such as business income and rental income. Rent growth along the Front Range has been particularly strong, boosting the income of property owners. Moreover, despite recent volatility, equity assets are expected to increase in value overall this year, which will help generate estimated payments growth from capital gains income. Estimated payments growth will rebound somewhat in FY 2016-17 with continued economic expansion and as tax collections are less adversely affected by the decline in oil and gas royalty payments.

Changes in tax deductions and credits also are impacting revenue collections over the forecast period; the largest of these is the State Earned Income Tax Credit. After becoming a TABOR refund mechanism in FY 2014-15, the credit will be available on an ongoing basis starting in tax year 2016. This will lower FY 2015-16 income tax collections by an estimated $45.0 million — half of the full-year impact of the credit — and by $93.6 million in FY 2016-17.

Also, the tax credit for gross conservation easements is allowed as a refundable credit when revenue exceeds the Referendum C cap, as expected throughout the forecast period. This will reduce income tax revenue by $12.0 million in FY 2015-16. Additionally, SB 15-206 increased the size of the gross conservation easement income tax credit beginning with tax year 2015. The change is expected to reduce income tax revenue by $7.0 million annually.

Figure 17. Individual Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

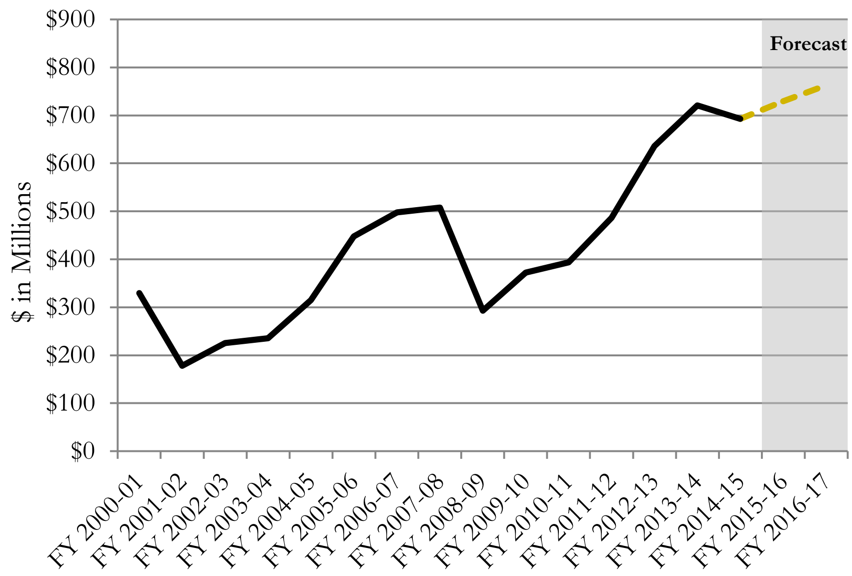
Corporate income tax **–** Corporate income tax revenue is expected to increase 5.3 percent to $729.5 million in FY 2015-16 and 4.6 percent to $763.1 million in FY 2016-17. This growth follows a 3.9 percent decline in corporate income tax revenue in FY 2014-15.

Projected revenue growth in this category for the forecast period is lower than overall historical averages for non-recession years, but more in line with trends from the later stages of economic expansions. These periods are characterized by higher levels of business competition, tighter labor conditions, and more costly business inputs. While input prices have remained low in the last few years, this forecast assumes that higher levels of competition and wage gains will combine to moderate corporate profit growth and, therefore, corporate income tax revenue. The U.S. Congressional Budget Office (CBO) points to similar factors in its own forecast of federal corporate income taxes, and adds growing interest payments on corporate debts as another source of downward pressure on profits and tax revenue.

Corporate income tax revenue growth will remain moderate through the forecast period due to federal tax policies and higher business costs in the maturing economic expansion.

Tax policy at the state and federal level can also impact corporate income tax revenue. For example, the repeal of a state law capping the amount of deductions for net operating losses is estimated to have reduced collections substantially in FY 2014-15. In addition, the federal government enacted provisions as part of fiscal stimulus during the Great Recession that allow firms to deduct a larger portion of equipment investment in the tax year that the investment is made, ultimately leading to lower tax liabilities for those companies. Congress has renewed these provisions several times. This forecast assumes they will be renewed throughout the forecast period. If the provisions are not renewed, corporate income tax revenue would be higher than projected in this forecast. These provisions also impact tax liabilities on business income paid through the individual income tax system.

Figure 18. Corporate Income Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

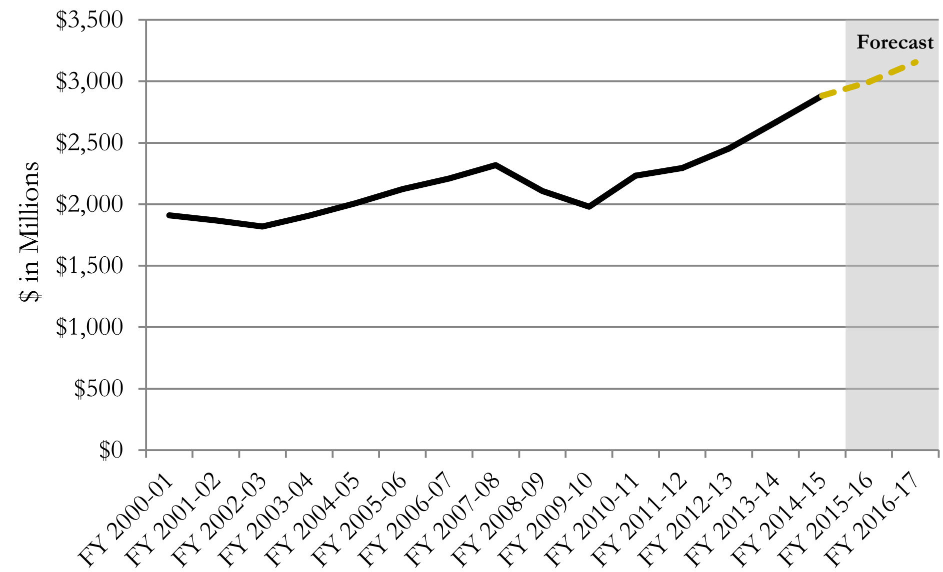
Sales and use tax – Sales tax revenue will grow 4.6 percent in FY 2015-16 after increasing 8.1 percent in FY 2014-15. Slower growth in total wages paid in the state and a decline in investment from the oil and gas industry will moderate consumer and business spending compared with the robust growth of last fiscal year. Sales tax revenue is forecast to grow 5.7 percent in FY 2016-17 as the conditions weighing on growth this fiscal year will be less prevalent.

Slower growth in total wages paid in the state and a decline in investment from the oil and gas industry will moderate sales tax collections this fiscal year tied to consumer and business spending. Sales tax revenue will grow 4.6 percent in FY 2015-16 after an increase of 8.1 percent in FY 2014-15.

Growth in revenue from the 10 percent sales tax on retail marijuana bolstered sales tax revenue to the General Fund in FY 2014-15. Revenue from the retail marijuana sales tax, approved by voters in 2013 under Proposition AA, goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — but then is transferred to the Marijuana Tax Cash Fund to support regulation and enforcement of the retail marijuana industry. Also, a portion is distributed to local governments in localities where retail marijuana sales occur. The tax generated $42.1 million in FY 2014-15. HB 15-1367 reduces the 10 percent tax rate to 8 percent starting in FY 2017-18. (HB 15-1367 also temporarily reduces the 10 percent rate to 0.1 percent as a refund mechanism only if voters reject Proposition BB in the November election.) Revenue from the regular 2.9 percent sales tax on marijuana sales does not go to the General Fund but is credited to the Marijuana Tax Cash Fund, which is included in the Miscellaneous Cash Funds category in Table 6 in the Appendix.

After growing 7.8 percent in FY 2014-15, use tax revenue is expected to decrease slightly in FY 2015-16 as a result of a decline in business spending tied to the oil and gas industry. Collections will rebound with 3.4 percent growth in FY 2016-17. The use tax is a companion to the sales tax that brings in a much smaller amount of revenue and is often more volatile. Much of the State's use tax revenue comes from Colorado businesses paying the tax on transactions involving out-of-state sellers.

Figure 19. Sales and Use Tax Revenue, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

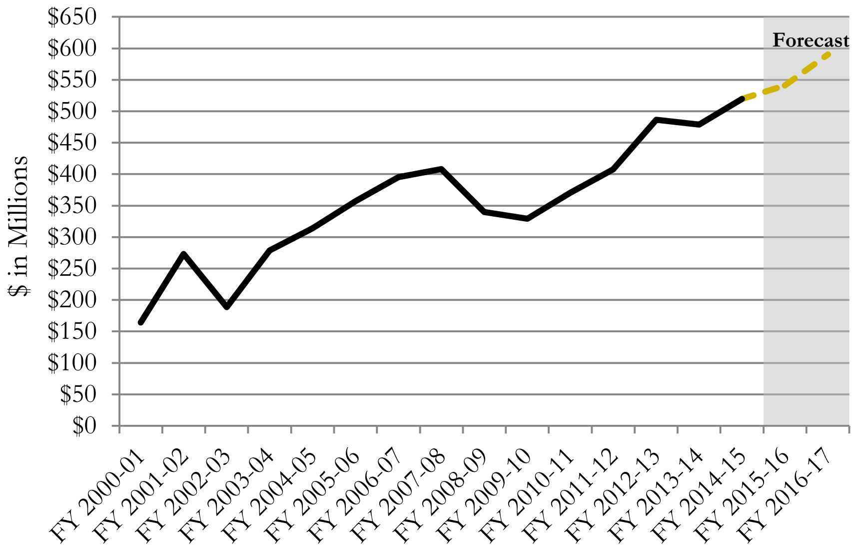
State Education Fund Revenue Forecast

Tax revenue to the State Education Fund will increase 4.0 percent in FY 2015-16 and 9.2 percent in FY 2016-17. Because this revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections discussed above. The moderation in economic activity tied to the contraction in the oil and gas industry and global economic headwinds, along with slower growth in investment income and weaker oil and gas royalty payments, is diminishing growth in revenue to the State Education Fund in FY 2015-16. However, these factors will abate in FY 2016-17, resulting in stronger revenue growth to the Fund.

Tax revenue to the State Education Fund will increase 4.0 percent in FY 2015-16 and 9.2 percent in FY 2016-17. State Education Fund revenue is derived from taxable income, and thus follow trends in individual income and corporate income tax revenue collections.

As shown on page 34 in the *General Fund and State Education Fund Budget* section, the state constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this money, policies enacted over the past few years have transferred other General Fund money to the State Education Fund, which is shown in detail in Figure 28 on page 42.

Figure 20. State Education Fund Revenue from One-Third of One Percent of Taxable Income, Actual and Forecast, FY 2000-01 to FY 2016-17



Source: Office of the State Controller and OSPB

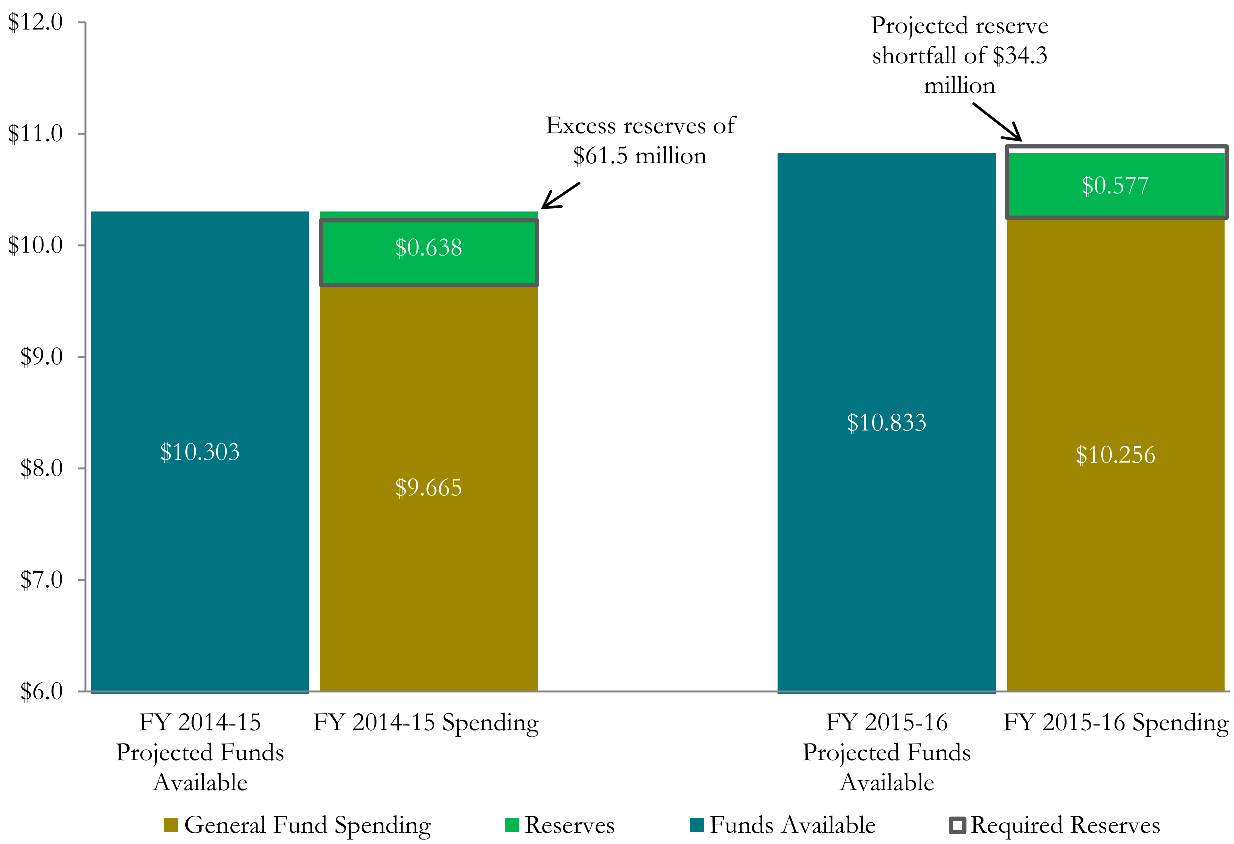
General Fund and State Education Fund Budget

Summary

General Fund – As discussed in the *General Fund Revenue Forecast* section starting on page 28, projections for General Fund revenue for FY 2015-16 are about 0.8 percent lower than in the June forecast, and 0.6 percent lower for FY 2016-17.

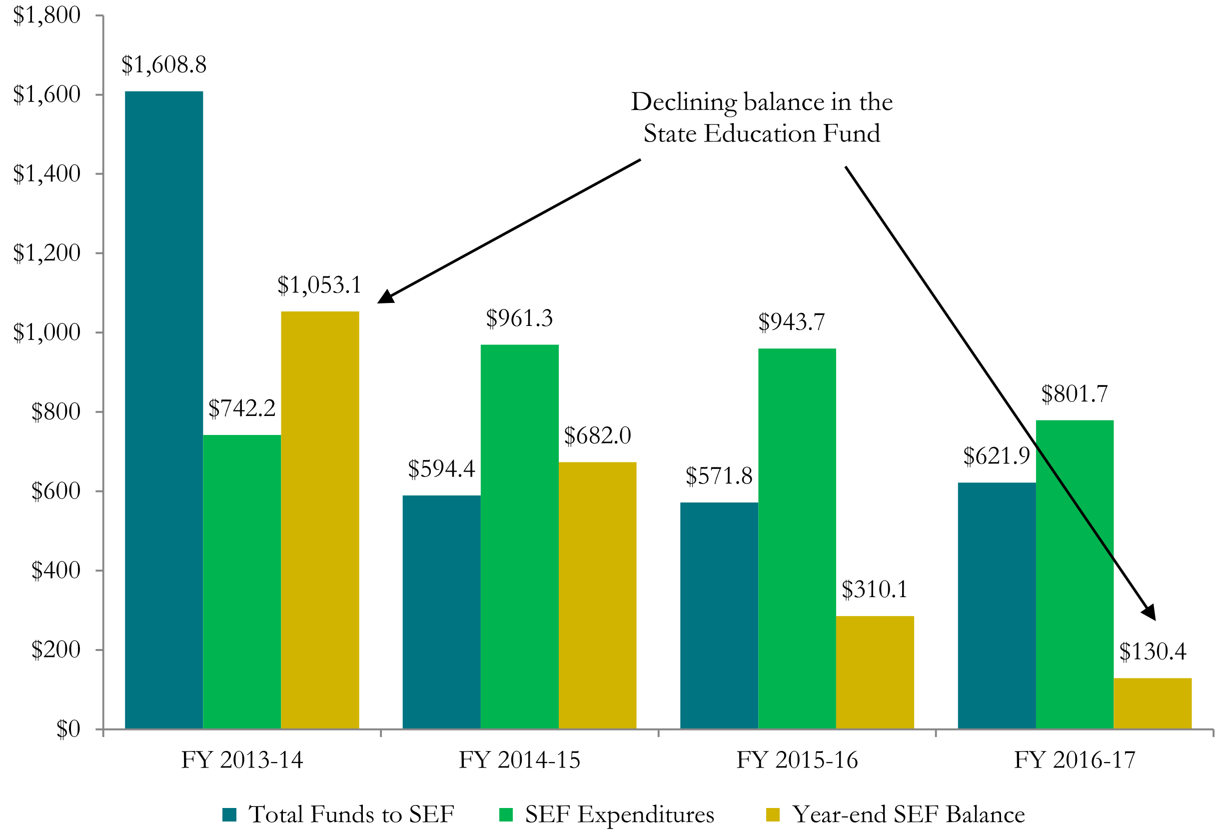
Under this forecast, the State's General Fund reserve is projected to be $34.3 million below the required amount of 6.5 percent of appropriations in FY 2015-16. On a preliminary basis, reserves were $61.5 million above the required amount in FY 2014-15. The projected shortfall in FY 2015-16 is smaller than forecasted in OSPB's June forecast, mostly due to the new expectation that transfers to transportation and capital construction under Senate Bill 09-228 will occur at half the levels anticipated in June. Figure 21 summarizes total General Fund revenue available, total spending, and reserve levels for FY 2014-15 and projections for FY 2015-16.

Figure 21. General Fund Money, Spending, and Reserves
FY 2014-15 and FY 2015-16, $ in Billions



State Education Fund – The State Education Fund is supporting a larger share of education funding than it has historically, which is drawing down its fund balance. Figure 22 summarizes total State Education Fund revenue available, total spending, and balance levels from FY 2013-14 through FY 2016-17. In FY 2015-16, the year-end balance in the Fund is expected to drop 55 percent from its level in FY 2014-15, and a similar drop is expected in FY 2016-17.

Figure 22. State Education Fund Money, Spending, and Reserves FY 2013-14 through FY 2016-17*, $ in Millions



*Actual FY 2016-17 expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections for that year are illustrative only.

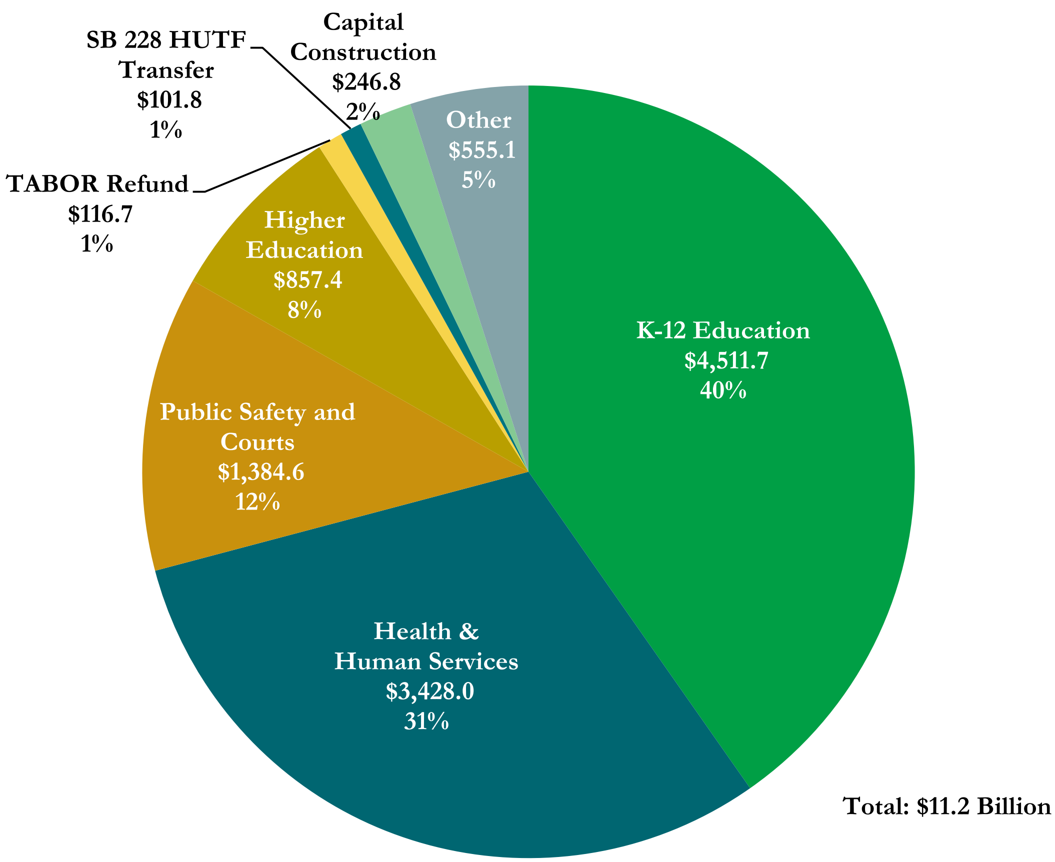
Detailed Overview Tables – A detailed overview of the amount of money available in the General Fund and State Education Fund, expenditures, and end-of-year reserves are provided in the overview tables in the Appendix at the end of this document.

Spending by Major Department or Program Area

The General Fund provides funding for the State's core programs and services, such as preschool through 12th grade education, higher education, services for low-income populations, the disabled and elderly, courts, and public safety. It also helps fund capital construction and maintenance needs for State facilities and, in some years, transportation projects. Under the state constitution, the State Education Fund helps fund preschool through 12th grade education and annually receives one-third of one percent of taxable income. In recent years, it has also received supplemental money from the General Fund as authorized by statute.

Figure 23 shows the allocation of General Fund and State Education Fund spending for FY 2015-16 by major department or program area. This projection accounts for an estimated $116.7 million required for TABOR rebates. As noted above, the current forecast estimates that the General Fund will be $34.3 million below the required reserve amount in FY 2015-16.

Figure 23. Composition of FY 2015-16 General Fund and State Education Fund Budget, $ in Millions



Risks to the Outlook and Budget Implications

This budget outlook is based on OSPB's economic analysis and forecast, discussed in the section titled *The Economy: Issues, Trends, and Forecast*, beginning on page 4. Changes in the overall Colorado economy determine revenue to the General Fund and State Education Fund. In addition to revenue, changes in economic conditions impact the budget outlook through associated changes in the use of many State services, including higher education, Medicaid, and other human services. In times of weaker economic conditions, the use of government services increases as incomes decline, unemployment grows, and more people seek education and training to better their job prospects.

Although Colorado's economy is demonstrating momentum, economic conditions around the world exhibit some weakness, especially in China and other large developing economies. The recent turmoil in financial markets may also be cause for concern if the instability persists and leads to further tightening credit conditions or a material downgrade in expectations for economic growth. The slowdown in the oil and gas industry could hamper growth further, as well, especially if oil prices remain at low levels for an extended period of time.

Even relatively small changes in the projected growth rate of revenue sources can materially impact the budget outlook. This forecast projects TABOR revenue will exceed the State's revenue cap in all three years of the forecast, from FY 2015-16 through FY 2017-18. Higher-than-expected revenue collections would result in more revenue above the cap. In contrast, slower-than-expected revenue growth would result in future forecasts showing smaller amounts above the cap, or perhaps revenue being below the cap.

These changes would have implications for critical components of the budget, such as the amount of General Fund money available for spending and the amount required to be transferred to transportation and capital construction. As an example, this forecast assumes that the amount of the TABOR rebate for FY 2015-16 will result in a transfer of $101.8 million from the General Fund for transportation projects and an additional $25.4 million to capital construction, as dictated by Senate Bill 09-228 (for more details, see page 50). However, a decrease of just 0.15 percentage points, or $15.0 million, in revenue subject to TABOR would result in these transfers doubling. This amount is well within the amount of typical forecast error. Therefore, future revisions to the forecast could show the full transfers occurring. This would cause the amount of funds below the required reserve in FY 2015-16 to potentially decline by a further $100 million from the current level of $34.3 million, requiring larger budget balancing actions.

The budget implications of the current forecast are significant. In the current year, the enacted budget has a small shortfall that can be managed within existing flexibility and reserves. As readers know, the Colorado Legislative Council Staff also prepares a revenue forecast each quarter. In June, there was approximately a two percent difference between the two General Fund revenue projections, with the OSPB forecast being higher.

Based on that difference and if it remains true, the current year shortfall is bigger and would carry forward to FY 2016-17. As we assess the impact of the TABOR limit, the potential transfers under Senate Bill 09-228, and the expected cost of maintaining the negative factor at its current level, the available new revenue for the General Fund are potentially severely limited.

For example, if the forecast for this year and next are two percent lower than the current OSPB forecast, the available new General Fund money for FY 2016-17 under current law is $224 million. Meanwhile, the OSPB projection for the General Fund needed to keep the negative factor at its current level is $338 million. Under the current OSPB forecast, the available new General Fund money for FY 2016-17 is $521 million.

The current budget situation is the result of a combination of many factors that have developed over decades. These include State constitutional rules that have contradictory purposes and economic conditions wherein two major downturns each resulted in approximately 17 percent drops in General Fund revenue. Meanwhile, relative to the State revenue cap, new cash fund growth is contributing to refund obligations in the General Fund, notably the result of growth in the Hospital Provider Fee. Most cash funds have rules that prevent their use in paying for any share of rebates that they generate and this is true for the Hospital Provider Fee. Excluding the Hospital Provider Fee, State revenue subject to TABOR is below the limit of population growth and inflation by $688.3 million in FY 2015-16.

General Fund Overview Table

Table 4 in the Appendix presents the General Fund Overview for the September 2015 OSPB revenue forecast, providing details on the amount of money forecasted to be available in the General Fund, expenditures, and end-of-year-reserves. The following section discusses the information presented in Table 4. To aid understanding, the discussion includes figures showing each section of the detailed overviews found in the Appendix.

Revenue

The top portion of the overview, shown in Figure 24, indicates the amount of General Fund money available for spending. The forecast for General Fund revenue is discussed in further detail in the *General Fund and State Education Fund Revenue Forecast* section starting on page 28. In addition to General Fund revenue, the General

Fund receives money transferred from other State funds each fiscal year, although these transfers generally account for less than one percent of total revenue (shown in line 3 below).

Figure 24. General Fund Revenue Available, FY 2014-15 to FY 2016-17 (from Table 4 in Appendix),$ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16	FY 2016-17
1	Beginning Balance	$435.9	$638.0	$577.0
2	General Fund Revenue	$9,801.0	$10,179.7	$10,864.1
3	Transfers to the General Fund	$65.8	$15.6	$16.8
4	**Total General Funds Available**	**$10,302.8**	**$10,833.2**	**$11,458.0**
	Dollar Change from Prior Year	$938.0	$530.4	$624.7
	Percent Change from Prior Year	10.0%	5.1%	5.8%

Expenditures

Spending subject to the appropriations limit – The middle portion of the General Fund overview in Table 4 shows General Fund spending. Each year, the total of most General Fund spending cannot exceed five percent of the aggregate level of personal income received by Coloradans. This limit was $12.0 billion in FY 2014-15 and $12.4 billion in FY 2015-16. Therefore, the General Fund appropriations shown in the Figure 25 are about $3.0 billion under the limit in both years. The amounts subject to the limit shown below and in Table 4 for FY 2014-15 and FY 2015-16 reflect current law. The FY 2016-17 amount shown in Table 4 in the Appendix represents the level of spending that can be supported by projected revenue while maintaining the General Fund's required reserve amount; this amount will change based on future budgeting decisions and updates to the revenue forecast.

Figure 25. General Fund Spending Subject to the Appropriations Limit, FY 2014-15 and FY 2015-16 (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16
5	**Appropriations**	**$8,869.0**	**$9,442.1**
6	Dollar Change from Prior Year	$650.3	$573.1
7	Percent Change from Prior Year	7.9%	6.5%

Spending not subject to the appropriations limit – Figure 26 summarizes General Fund spending that does not count under the General Fund appropriations limit. More information about each line item is presented below the table.

Figure 26. General Fund Spending Not Subject to the Appropriations Limit, FY 2014-15 and FY 2015-16 (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16
9	TABOR Refund under Art. X, Section 20, (7) (d)	$153.6	$116.7
10	Set Aside for Potential TABOR Refund under Art. X, Section 20, (3) (c)	$58.0	$0.0
	Cigarette Rebate to Local Governments	*$12.3*	*$9.6*
	Marijuana Rebate to Local Governments	*$6.3*	*$7.2*
	Old-Age Pension Fund/Older Coloradans Fund	*$109.9*	*$109.0*
	Aged Property Tax & Heating Credit	*$5.7*	*$5.4*
	Homestead Exemption	*$116.9*	*$125.7*
	Interest Payments for School Loans	*$0.7*	*$1.2*
	Fire/Police Pensions	*$4.2*	*$4.2*
	Amendment 35 General Fund Expenditure	*$0.9*	*$0.9*
11	**Total Rebates and Expenditures**	**$256.7**	**$263.1**
12	Transfers to Capital Construction	$248.5	$246.8
13	Transfers to Highway Users Tax Fund	$0.0	$101.8
14	Transfers to State Education Fund per SB 13-234	$25.3	$25.3
15	Transfers to Other Funds	$44.0	$60.4
16	Other	$9.7	$0.0
	Total	**$795.8**	**$814.2**
	Dollar Change from Prior Year	$250.3	$18.4
	Percent Change from Prior Year	45.9%	2.3%

Lines 9 and 10: Revenue exceeded the Referendum C cap by $150.0 million in FY 2014-15 and is projected to exceed the cap by $116.7 million in FY 2015-16.[1] Therefore, taxpayers will receive a refund in both years unless voters allow the State to retain the revenue. Spending not subject to the limit includes any TABOR refunds funded from the General Fund, which occur when State revenue exceeds its cap as defined in Article X, Section 20 (7) of the Colorado Constitution ("TABOR") and Section 24-77-103.6, C.R.S. ("Referendum C"). The FY 2014-15 TABOR refund is smaller than forecasted in June primarily because of slightly lower than expected General Fund revenue. In contrast, the expected FY 2015-16 TABOR refund grew since the June forecast because of higher forecasted growth in cash fund revenue resulting from an increase in the Hospital Provider Fee. This higher cash fund revenue is outweighing the decline in the forecast for General Fund revenue. For more information on the TABOR refund, see the *Taxpayer's Bill of Rights: Revenue Limit* section later in this report.

The $58.0 million shown in line 10 reflects money set aside by HB 15-1367 in a special account to cover a potential refund relating to the passage of Proposition AA, which created excise and sales taxes on retail marijuana. HB 15-1367 submits Proposition BB to voters this November to ask if the State can retain and spend this money. General Fund obligations to pay for the refund are $4.3 million higher than the amount set aside in the $58 million special account. See page 50 in the *Taxpayer's Bill of Rights: Revenue Limit* section of this forecast for more details.

Line 11: "Rebates and Expenditures" account for a large portion of General Fund spending not subject to the appropriations limit. The primary programs under rebates and expenditures are: (1) the Cigarette Rebate, which

[1] The $153.6 million TABOR refund amount shown in the table for FY 2014-15 includes $150.0 million in revenue above the Referendum C Cap for FY 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years.

distributes money from a portion of State cigarette tax collections to local governments that do not impose their own taxes or fees on cigarettes; (2) the Marijuana Rebate, which distributes 15 percent of the retail marijuana sales tax to local governments based on the percentage of retail marijuana sales in local areas; (3) the Old-Age Pension program, which provides assistance to low-income elderly individuals who meet certain eligibility requirements; (4) the Aged Property Tax, Heat, and Rent Credit, which provides property tax, heating bill, and rent assistance to qualifying low-income, disabled, or elderly individuals; and (5) the Homestead Property Tax Exemption, which reduces property-tax liabilities for qualifying seniors and disabled veterans. The forecast for total rebates and expenditures in both fiscal years changed very little from OSPB's projections in June.

Lines 12 and 13: FY 2014-15 includes a total transfer of $248.5 million for capital construction projects, shown in line 12. Total construction transfers for FY 2015-16 are forecast at $246.8 million. This amount includes a projected $25.4 million SB 09-228 transfer (see below) and a $221.3 million transfer set by SB 15-250. The capital construction funding amount of $86.7 million for FY 2016-17 shown in the General Fund Overview in Table 4 in the Appendix reflects the needed level to fund the continuation of projects funded in prior years and priority, or "Level I," building maintenance projects, taking into account the amount of funding available in the Capital Construction Fund.

Transfers to capital construction and transportation are required if growth in statewide personal income exceeds 5 percent. This 5 percent trigger and the associated transfers are commonly referred to as "228" transfers because they were put into law by Senate Bill 09-228. Personal income growth exceeded 5 percent in the 2014 calendar year, which triggers the required transfers in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in an amount between 1 and 3 percent of total General Fund revenue in the same fiscal year. The transfers are suspended in full if there is a TABOR refund in excess of three percent of total General Fund revenue.

The projected TABOR refund of $116.7 million in FY 2015-16 represents an amount equal to 1.15 percent of General Fund revenue. This means that transfers for transportation and capital construction will be made at 50 percent of their full levels, resulting in transfers of $101.8 million and $25.4 million, respectively, in FY 2015-16. However, a very small decrease in revenue from projections would result in a full transfer, essentially doubling the numbers for both capital construction and transportation. The projected FY 2016-17 TABOR refund of $398.0 million exceeds 3 percent of General Fund revenue, meaning that the SB 09-228 transfers are eliminated for that fiscal year.

Line 14: Senate Bill 13-234 requires annual General Fund transfers to the State Education Fund from FY 2013-14 through FY 2018-19. The transfers in each of FY 2014-15 through FY 2016-17 is $25.3 million.

Line 15: State law requires transfers of General Fund money to various other State cash funds. The largest transfer in this line is money from the 10 percent special sales tax on retail marijuana tax credited to the General Fund, 85 percent of which is transferred to the Marijuana Tax Cash Fund.

Line 16: This line usually includes any expenditures for certain programs that have exceeded their appropriated amount, called "overexpenditures." Spending by the Medicaid program above its appropriated amount is usually the largest amount in this line. The $9.7 million shown for FY 2014-15 is all Medicaid overexpenditures.

Reserves

The final section of the overview table in the Appendix ("Reserves") shows the amount of General Fund money remaining at the end of each fiscal year – the "Year-End General Fund Balance." This amount reflects the difference between total funds available and total expenditures. The section shows the statutorily determined reserve requirement and whether the amount of funds is above or below the requirement ("Money Above/Below Statutory Reserve"). The reserve is required to be 6.5 percent of General Fund appropriations subject to the appropriations limit discussed above. Starting with FY 2015-16, appropriations for finance, or "lease-purchase" payments, called Certificates of Participation, for certain capital projects were made exempt from the reserve calculation requirement by SB 15-251. Figure 27 provides information on the General Fund ending balance.

Figure 27. General Fund Reserves under Current Law, FY 2014-15 and FY 2015-16 (from Table 4 in Appendix), $ in Millions

Table 4 Line No.		FY 2014-15	FY 2015-16
20	Year-End General Fund Balance	$638.0	$577.0
21	Balance as a % of Appropriations	7.2%	6.1%
22	**General Fund Required Reserve**	**$576.5**	**$611.3**
23	Money Above/Below Req. Reserve	$61.5	-$34.3

The State's General Fund reserve is projected to be $61.5 million above its required amount for FY 2014-15. Under this forecast, the Fund will be $34.3 million below the required amount for FY 2015-16 with the current level of General Fund obligations. This shortfall is smaller than projected in OSPB's June forecast, mostly due to the new assumption that transfers to transportation and capital construction under SB 09-228 will occur at half their potential levels, as discussed above. In contrast, the June forecasts from both Legislative Council Staff and OSPB projected that the transfers would be made at their full amounts in FY 2015-16.

State Education Fund Overview

Figure 28 summarizes State Education Fund annual revenue and spending. It also includes projected beginning and ending fund balances. Transfers of excess reserves over the past few fiscal years have caused a significant increase in the balance of the State Education Fund. However, higher spending and lower revenue will put increasing strain on the fund's balance in the coming years. For example, spending from the State Education Fund in FY 2015-16 is 165 percent of new projected revenue to the Fund. By the end of FY 2015-16, the balance is projected to fall nearly 55 percent to $310.1 million from levels a year earlier. The trend is projected to continue into FY 2016-17, as the year-end balance drops by another 58 percent to $130.4 million.

State Education Fund expenditures for FY 2014-15 and FY 2015-16 reflect current law. The FY 2016-17 expenditures amount projects spending needed to keep the negative factor in the School Finance Act at the current dollar amount of $855.2 million, while maintaining a balance of about $130 million in the Fund, which equates to about two percent of total program funding costs for education.

Figure 28. State Education Fund Revenue, Spending, and Reserves
FY 2014-15 through FY 2016-17,* $ in Millions

	FY 2014-15	FY 2015-16	FY 2016-17
Beginning Balance	***$1,048.9***	***$682.0***	***$310.1***
One-third of 1% of State Taxable Income	*$519.8*	*$540.8*	*$590.4*
Money from Prior Year-end Excess Reserves	*$38.6*	*$0.0*	*$0.0*
Transfers under SB 13-234	*$25.3*	*$25.3*	*$25.3*
Other	*$10.6*	*$5.7*	*$6.2*
Total Funds to State Education Fund	**$594.4**	**$571.8**	**$621.9**
State Education Fund Expenditures	**$961.3**	**$943.7**	**$801.7**
Year-end Balance	**$682.0**	**$310.1**	**$130.4**

*Actual FY 2016-17 expenditures from the State Education Fund will be adopted in future budget legislation. Therefore, the expenditures and fund balance projections for that year are illustrative only.

The State Education Fund plays an important role in the State's General Fund budget. Under the state constitution, the State Education Fund helps fund preschool through 12th-grade education, the largest General Fund program. Therefore, higher or lower spending from the State Education Fund generally affects General Fund appropriations in order to support the targeted level of school funding. Decisions in one year affect the range of choices in the next year because they impact the available balance in the State Education Fund for future spending and General Fund availability for other programs.

Table 5 in the Appendix incorporates all of the same information from the General Fund overview in Table 4, but also includes spending, revenue, and fund-balance information for the State Education Fund. Given the budget implications of the balance of funding between the State Education Fund and General Fund, a unified and multi-year view provides important insight into the sustainability of budgeting decisions.

Cash Fund Revenue Forecast

Cash fund revenue subject to TABOR in FY 2015-16 will be $115.5 million, or 4.2 percent, higher than FY 2014-15, primarily as a result of growth in revenue from the Hospital Provider Fee. This growth will offset a sharp decline in revenue from severance taxes and a decrease in insurance-related revenue. The forecast for FY 2015-16 is $120.8 million, or 4.4 percent, higher than projections from the June forecast, mostly due to the upward revision to the Hospital Provider Fee forecast.

Cash fund revenue subject to TABOR will increase 1.8 percent in FY 2016-17 when growth in revenue from most of the major categories of cash funds, most notably severance taxes, will offset an expected 6 percent decrease in revenue from the Hospital Provider Fee. The forecast for FY 2016-17 is $33.0 million, or 1.1 percent, higher compared with projections in June.

Hospital Provider Fee revenue in FY 2015-16 is forecast to increase $276.2 million above FY 2014-15's collections.

Cash fund revenue supports a wide array of State programs that collect taxes, fees, fines, and interest to support services. When fees or other revenue are designated for a particular program, they are directed to a cash fund used to fund the program. OSPB's forecast of cash fund revenue subject to TABOR is shown in Table 6 in the Appendix.

Table 6 shows only the outlook for revenue that is subject to the TABOR provisions in the Colorado Constitution that place a limit on the amount of revenue that can be retained by the State each year. Cash fund revenue that is not subject to TABOR generally includes revenue exempted by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges, that receive most of their money from sources other than the State. More information on TABOR revenue and the revenue limit can be found on page 48.

Transportation-related cash funds **—** From FY 2013-14 to FY 2014-15, transportation-related cash fund revenue subject to TABOR grew $28.9 million (2.5 percent) to $1.16 billion. Revenue to these funds is forecast to grow 1.3 percent in FY 2015-16 and 2.4 percent in FY 2016-17.

Transportation-related cash funds include the Highway Users Tax Fund (HUTF), the State Highway Fund (SHF), and several smaller cash funds. Funds in this category receive revenue from fuel taxes, vehicle registration fees and permits, other fines and fees related to transportation, and interest on fund balances. HUTF funds, which account for roughly 85 percent of revenue in this category, are distributed by statutory formula to the Colorado Department of Transportation, local counties and municipalities, and the Colorado State Patrol.

Revenue from fuel taxes and vehicle registrations will continue to grow as the economy expands, but at a more moderate pace than in FY 2014-15.

Revenue from gasoline and diesel taxes and from vehicle registrations grew 4.7 and 4.5 percent in FY 2014-15, respectively, their fastest growth since before the Great Recession. Changes in these revenue streams have a large influence on overall transportation-related cash funds because they account for approximately three-quarters of all revenue in the category.

Robust growth in fuel taxes and registrations indicates that Coloradans ramped up vehicle purchases and driving over the past fiscal year. Data from the Colorado Automobile Dealers Association show the magnitude of the activity: new vehicle registrations increased 5.4 percent in the first six months of 2015 from the same period in 2014. This forecast assumes these car-buying and driving trends will continue their upward trajectory, but at a more moderate pace, with overall HUTF revenue averaging about 1 percent growth over the next three fiscal years.

Limited Gaming **—** Limited gaming revenue will grow by $4.5 million, or 4.1 percent, in FY 2015-16, after increasing 3.3 percent in FY 2014-15. Revenue from gaming will grow an additional $3.5 million, or 3.0 percent, to $119.4 million in FY 2016-17.

The gaming industry has experienced a slow recovery from the Great Recession, with limited gaming revenue yet to reach its pre-recession peak of $122 million in FY 2006-07. However, growth in the overall state economy will cause gaming activity to continue to post modest increases over the forecast period.

A growing economy with continued job gains and lower levels of unemployment in Colorado will lead to modest but stable growth in limited gaming revenue.

Of the total expected limited gaming revenue for FY 2015-16, $102.4 million will be subject to TABOR, as reflected in Figure 29. Of this amount, $101.0 million is classified as "base limited gaming revenue" as designated by State law after the passage of Amendment 50 in 2008. This revenue is distributed by formula in state statute to the State General Fund, the State Historical Society, cities and counties that are affected by gaming activity, and economic development-related programs.

Gaming revenue attributable to Amendment 50, which is not subject to TABOR, is distributed mostly to community colleges, with a smaller portion going to local governments with communities affected by gaming. These distributions will grow along with overall gaming revenue, totaling $11.4 million and $12.0 million in FY 2015-16 and FY 2016-17, respectively. Figure 29 shows the distribution of limited gaming revenues in further detail.

Figure 29. Distribution of Limited Gaming Revenues

Distribution of Limited Gaming Revenues	Preliminary FY 14-15	Forecast FY 15-16	Forecast FY 16-17	Forecast FY 17-18
A. Total Limited Gaming Revenues	**$111.4**	**$115.9**	**$119.4**	**$123.3**
Annual Percent Change	3.3%	4.1%	3.0%	3.2%
B. Base Limited Gaming Revenues (max 3% growth)	**$98.1**	**$101.0**	**$104.0**	**$107.2**
Annual Percent Change	3.0%	3.0%	3.0%	3.0%
C. Gaming Revenue Subject to TABOR	**$99.3**	**$102.4**	**$105.4**	**$108.6**
Annual Percent Change	1.1%	3.1%	3.0%	3.0%
D. Total Amount to Base Revenue Recipients	**$87.3**	**$90.4**	**$93.1**	**$95.5**
Amount to State Historical Society	*$24.4*	*$25.3*	*$26.1*	*$26.7*
Amount to Counties	*$10.5*	*$10.8*	*$11.2*	*$11.5*
Amount to Cities	*$8.7*	*$9.0*	*$9.3*	*$9.5*
Amount to Distribute to Remaining Programs (State Share)	*$43.6*	*$45.2*	*$46.6*	*$47.7*
Amount to Local Government Impact Fund	*$5.0*	*$5.0*	*$5.0*	*$5.0*
Colorado Tourism Promotion Fund	*$15.0*	*$15.0*	*$15.0*	*$15.0*
Creative Industries Cash Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Film, Television, and Media Operational Account	*$0.5*	*$0.5*	*$0.5*	*$0.5*
Bioscience Discovery Evaluation Fund	*N/A*	*N/A*	*N/A*	*N/A*
Advanced Industries Acceleration Fund	*$5.5*	*$5.5*	*$5.5*	*$5.5*
Innovative Higher Education Research Fund	*$2.0*	*$2.0*	*$2.0*	*$2.0*
Transfer to the General Fund	*$13.6*	*$15.2*	*$16.6*	*$17.7*
E. Total Amount to Amendment 50 Revenue Recipients	**$10.0**	**$11.4**	**$12.0**	**$12.5**
Community Colleges, Mesa and Adams State (78%)	*$7.8*	*$8.9*	*$9.4*	*$9.8*
Counties (12%)	*$1.2*	*$1.4*	*$1.4*	*$1.5*
Cities (10%)	*$1.0*	*$1.1*	*$1.2*	*$1.3*

Hospital Provider Fee **—** Hospital Provider Fee (HPF) revenue is expected to increase 52.2 percent, or $276.2 million, to $805.0 million in FY 2015-16. HPF revenue will then decrease 6.0 percent, or by $48.7 million, to $756.3 million in FY 2016-17. It will grow by an additional 5.6 percent, or $42.5 million, in FY 2017-18.

The projections for HPF revenue are influenced by federal funding levels associated with the Affordable Care Act as well as changes in the population receiving medical care support under the Medicaid program. An increase in populations receiving medical services will generate higher HPF revenue starting in FY 2015-16. Growth in these populations occurred at a strong rate in 2014, which is driving the large increase in HPF revenue over the next few fiscal years.

As noted as a likelihood in OSPB's June forecast, this forecast's projections for HPF revenue have increased: HPF revenue for FY 2015-16 is now expected to be $117 million higher. The increase is due to the caseload growth associated with expansion of the Medicaid program, as well as later than expected federal approval of the HPF funding levels associated with higher program costs. This later approval prevented the higher fee collections from taking effect earlier, shifting the higher collections to FY 2015-16. Projected revenue from the HPF has also increased in FY 2016-17 and FY 2017-18, but to a lesser extent.

The Hospital Provider Fee is paid by Colorado hospitals based on the amount of inpatient days and outpatient revenue. The amount of Hospital Provider Fee collected each year is calculated by a formula that considers the anticipated cost of care for some Medicaid populations. Revenue collected from the fee is matched by the federal government to help cover the cost of the Medicaid program.

***Severance tax revenue*—** Severance tax revenue will decrease 61.1 percent, or $171.1 million, to $109.0 million in FY 2015-16 after strong growth in FY 2013-14 and FY 2014-15. The robust severance tax revenue growth in the last few fiscal years resulted from the higher price environment for natural gas and oil prior to last summer that boosted the value of the production of the resources in Colorado. Prices for both natural gas and oil have since fallen substantially, contributing to the large decrease in severance tax revenue in FY 2015-16. A modest and gradual rebound in prices will lead to an increase of 49.4 percent in severance tax revenue for FY 2016-17. The local ad valorem credit for State severance taxes is also contributing to these large swings in revenue collections.

The price of natural gas and oil are key drivers of severance tax revenue because the tax is based on a percentage of the income received from selling the commodities. Because of the increase in oil production over the past few years in the state, the proportion of severance taxes from oil has increased to nearly the same as the proportion from natural gas production. Prior to 2012, severance tax revenue from oil was smaller than half the proportion from natural gas. Therefore, revenue from severance taxes is more responsive to changes in oil prices than in the past. Oil prices in 2015 are nearly 50 percent lower than they were in 2014 as growing production in the United States boosted oil inventories and a sluggish global economy dampened demand.

Continued low prices for natural gas and oil, combined with ad valorem tax credits, will result in a decline of $171.4 million in severance taxes in FY 2015-16. Revenue collections will rebound in FY 2016-17 with gradually increasing prices and smaller ad valorem tax credits.

The price of natural gas rose at the beginning of 2014 as demand for natural gas to heat homes and businesses grew amidst very cold winter temperatures. Natural gas prices have fallen back to lower levels, however, as inventories have been largely restored and the demand for natural gas returned to more typical levels. Prices are currently 40 percent lower than the second quarter of 2014.

In FY 2015-16, the impact of ad valorem tax credits will exacerbate the decline of severance tax revenue from lower oil and natural gas prices. Severance taxpayers claim ad valorem tax credits based on the local property taxes they paid on the value of mineral extraction in the prior year. Although the prices of natural gas and oil declined this year, taxpayers will claim ad valorem credits based on the value of oil and gas in 2014, when prices were much higher. This dynamic increases the impact of lower prices on severance tax liabilities, helping generate the 61.1 percent forecasted decline for severance taxes in FY 2015-16. Along with gradual increases in prices, this dynamic will also contribute to the projected rebound in severance taxes in FY 2016-17 when the ad valorem credits will be much smaller as they will based on the current low level of oil and natural gas prices.

The amount of oil and natural gas produced in Colorado – known as production volume – also influences severance tax collections, although production volumes do not tend to fluctuate as significantly as prices. Oil producers have begun to temper production as lower prices make new exploration and wells less profitable. The pullback in new production will further contribute to lower severance tax revenue growth over the forecast period.

Other mineral resources, including coal, gold, and molybdenum, generate severance tax revenue, although at much lower levels than oil and natural gas production. Severance tax revenue from coal production is expected to fall 3.0 percent, to $5.2 million, in FY 2015-16 after falling 33.2 percent, to $5.4 million, in FY 2014-15.

Senate Bill 15-255 credited the first $20 million of state severance tax revenue received in May and June of 2015 to the General Fund. Actual severance tax collections in these months amounted to $16.2 million. Therefore, the total severance tax revenue for FY 2014-15 shown in Table 6 is $16.2 million lower than actual collections, but General Fund revenue shown in line 16 of Table 3 in the Appendix is $16.2 million higher. This money helps pay for the FY 2014-15 TABOR refund paid out of the General Fund.

Federal Mineral Leasing revenue — Colorado's share of Federal Mineral Lease (FML) revenue will fall 17.7 percent to $119.4 million, in FY 2015-16. This follows a decline of 16.4 percent in FY 2014-15. FML revenue is decreasing again in FY 2015-16 due to continued lower oil and natural gas prices and the refund of FML "bonus" payments to mineral extraction leaseholders on the Roan Plateau. FML revenue is expected to rebound 8.4 percent to $129.5 million in FY 2016-17 and an additional 5.0 percent in FY 2017-18.

FML royalties are assessed as a percentage of the value of resources produced on leased federal lands. FML activity includes production of natural gas and oil as well as propane, carbon dioxide, coal, and other mineral resources. The BLM sells leases to extract mineral resources from federal lands. Producers then remit royalties and other payments to the federal government that are shared with the state where production occurred.

FML revenue will fall 17.7 percent in FY 2015-16 due to lower oil and gas prices and one-time refunds to leaseholders, but will rebound in FY 2016-17 and FY 2017-18 with gradual increases in commodity prices.

A portion of the reduced levels in FML revenue in FY 2015-16 through FY 2017-18 is a result of refunds to holders of cancelled leases on land for mineral extraction on the Roan Plateau in Colorado. The federal Bureau of Land Management (BLM) carried out auctions for leases to produce natural gas on the Roan Plateau in 2008, collecting significant bonus payments. The BLM later revisited these leases and determined a need to re-negotiate or cancel several of them. As a result, the Bureau will refund nearly $50 million of the bonus payments that were originally made. Colorado's share of this amount, $23.4 million, will be recouped from the State's share of FML revenue.

The federal government will withhold $7.8 million of Colorado's FML payments in FY 2015-16 and each of the next two fiscal years to complete the required refund, reducing FML revenue starting in FY 2015-16. As a result, the distributions of FML revenue to the State Public School Fund, the Colorado Water Conservation Board Construction Fund, and the Local Government Mineral Impact Fund would be proportionately reduced. However, Senate Bill 15-244 transfers money from the General Fund to these funds in each of the three fiscal years in order to backfill the decline in FML distributions.

The impact of lower oil and natural gas prices was larger than initially estimated for the second half of FY 2014-15. Although FML revenue will continue to decline into FY 2015-16, the decline will not be nearly as severe as the drop in severance tax revenue. The impact of lower prices on FML revenue is much smaller than the impact on severance taxes because the revenue stream is not affected by the ad valorem tax credits that reduce severance tax gross liabilities.

Figure 30. Federal Mineral Leasing (FML) Payments, $ in Millions

Fiscal Year	Bonus Payments	Non-Bonus	Total FML	% Change
FY 2014-15	$1.1	$144.0	$145.1	-16.4%
FY 2015-16	$3.9	$115.6	$119.4	-17.7%
FY 2016-17	$1.9	$127.6	$129.5	8.4%
FY 2017-18	$2.0	$133.9	$135.9	5.0%

FY 2014-15 figures reflect preliminary collections, and FY 2015-16 through FY 2017-18 are projections.

Other cash funds **—** Cash fund revenue to regulatory agencies will grow 2.6 percent to $66.4 million in FY 2015-16 after decreasing 5.5 percent in FY 2014-15. The Department of Regulatory Agencies (DORA) oversees businesses and professionals in certain industries through licensing, rulemaking, enforcement, and approval of rates charged to consumers. The Department is responsible for oversight of a wide variety of professions, such as landscape architects, psychologists, and hunting guides. Revenue from licensing fees and other services fund many of the Department's activities. Cash fund revenue related to regulatory agencies will grow 3.5 percent to $68.7 million in FY 2016-17.

Insurance-related cash fund revenue is obtained largely from a surcharge on workers' compensation insurance programs. Revenue from this source will decrease 36.4 percent to $13.7 million in FY 2015-16 due to a reduction in the surcharge. The surcharge is used to fund the Division of Workers' Compensation (DOWC), as well as the Major Medical Insurance Fund and Subsequent Injury Fund, which were created to absorb costs for individuals injured prior to 1981. Each year, the DOWC is required to perform a review to determine the funding needed to operate its programs. The DOWC recently projected that a 50 percent reduction in premium surcharges would generate sufficient funding to pay and administer claims for FY 2015-16.

The category called Other Miscellaneous Cash Funds in Table 6 includes revenue from a large array of mostly smaller cash funds that generally collect revenue from fines, fees, and interest earnings. Revenue from these funds is expected to be $584.0 million in FY 2015-16, a decrease of 0.2 percent, after growth of 2.9 percent the prior year. Revenue to these funds is expected to grow 2.9 percent in FY 2016-17.

Revenue from the 2.9 percent sales tax on retail and medical marijuana, as well as fees related to regulation of the marijuana industry, is reflected in the miscellaneous cash funds category in Table 6. However, the table does not include the proceeds from marijuana taxes authorized by Proposition AA in November 2013 as they are not subject to TABOR. These taxes are transferred to the Marijuana Tax Cash Fund, local governments, and school construction. Revenue from the 10 percent retail marijuana sales tax in Proposition AA goes first to the General Fund — and is included under sales tax revenue in Table 3 in the Appendix — before it is transferred to the Marijuana Tax Cash Fund and local governments. Proposition AA also included an excise tax of 15 percent on retail marijuana that is credited to public school cash funds, a majority of which goes to a cash fund for public school capital construction projects.

HB 15-1367, passed during the 2015 legislative session, contains several provisions affecting the taxes collected on retail marijuana authorized by Proposition AA. Most notably, it refers a measure to voters asking if the State can retain and spend the money collected from the taxes in FY 2014-15. Voters must confirm again that the State can retain the money under the provisions of TABOR because total TABOR revenue exceeded the estimate in the "Blue Book" voter guide, not because estimates of new marijuana taxes were exceeded.

HB15-1367 also reduces both the 10 percent special sales tax and 15 percent excise tax rates on retail marijuana to zero for one day. This is to satisfy TABOR's provisions to reduce the tax rates associated with a tax increase when revenue exceeds the estimates given to voters. However, the rates are reduced only temporarily because voters allowed the State to increase the rates under Proposition AA without further voter approval, as long as they do not exceed 15 percent. The bill also lowers the 10 percent special sales tax on retail marijuana sales to 8 percent starting in FY 2017-18. More information on HB 15-1367 and its impact on the General Fund can be found starting on page 32 in the General Fund budget section and on page 48 in the TABOR section.

Taxpayer's Bill of Rights: Revenue Limit

Background on TABOR – Provisions in the Taxpayer's Bill of Rights (TABOR) – Article X, Section 20 of the Colorado Constitution – limit the growth of a large portion of State revenue to the sum of inflation plus population growth in the previous calendar year. Revenue collected above the TABOR limit must be returned to taxpayers, unless voters decide the State can retain the revenue.

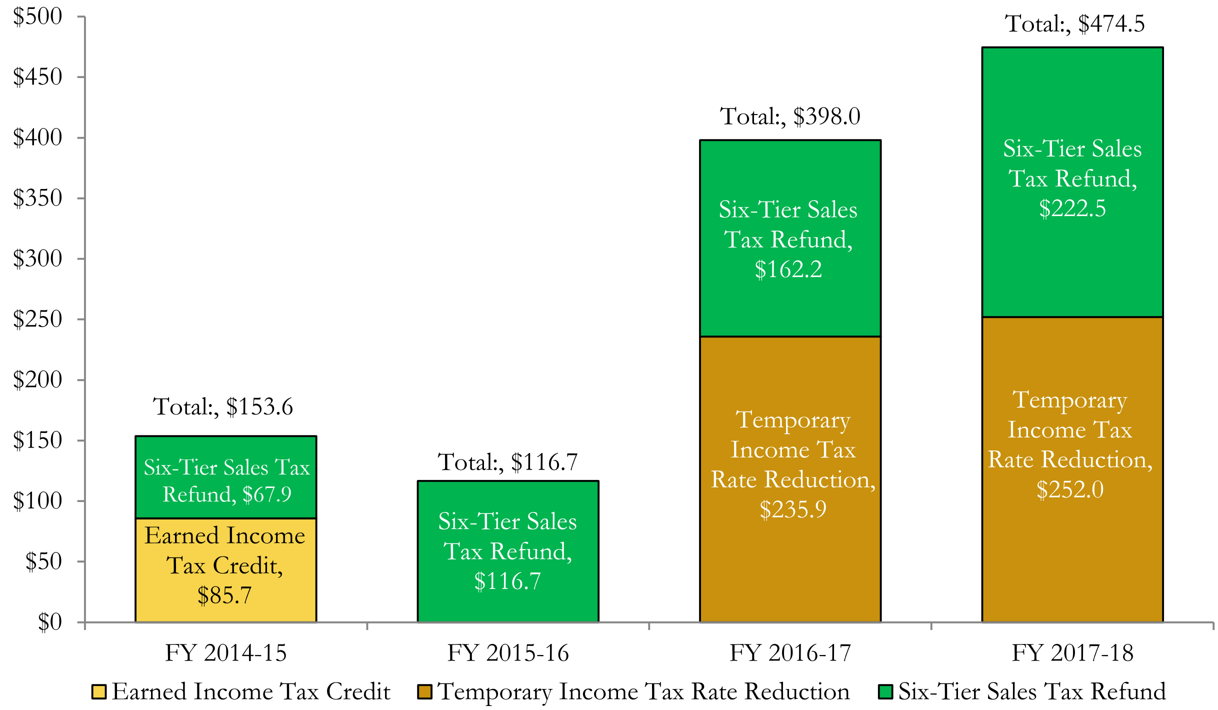
In November 2005, voters approved Referendum C, which allowed the State to retain all revenue through FY 2009-10 during a five-year TABOR "time out." Referendum C also set a new cap on revenue starting in FY 2010-11. Starting with FY 2010-11, the amount of revenue that the State may retain under Referendum C (line 9 of Table 7 found in the Appendix) is calculated by multiplying the revenue limit between FY 2005-06 and FY 2009-10 associated with the highest TABOR revenue year (FY 2007-08) by the allowable TABOR growth rates (line 6 of Table 7) for each subsequent year.

Most General Fund revenue and a portion of cash fund revenue are included in calculating the revenue cap under Referendum C. Revenue that is not subject to TABOR includes revenue exempt by Colorado voters, federal money, and revenue received by entities designated as enterprises, such as public universities and colleges. Table 7 found in the Appendix summarizes the forecasts of TABOR revenue, the TABOR revenue limit, and the revenue cap under Referendum C.

TABOR refunds are projected in every year of this forecast – TABOR revenue exceeded the Referendum C cap by $150.0 million in FY 2014-15. TABOR revenue is projected to exceed the cap by $116.7 million in FY 2015-16, $398.0 million in FY 2016-17, and $474.5 million in FY 2017-18. Consequently, a refund to taxpayers will occur for all four years, unless voters allow the State to retain the revenue. Colorado law currently specifies three mechanisms by which revenue in excess of the cap is refunded to taxpayers: a sales tax refund to all taxpayers ("six-tier sales tax refund"), the Earned Income Tax Credit to qualified taxpayers, and a temporary income tax rate reduction. The refund amount determines which refund mechanisms are used. Figure 31 shows the anticipated refund that will be distributed through each mechanism according to the revenue projections in this forecast and the statutorily defined refund mechanisms.

In FY 2014-15, revenue above the cap exceeded the refund threshold amount that activates the State Earned Income Tax Credit (EITC), as specified by Section 39-22-123, C.R.S. Colorado taxpayers who qualify for the federal EITC will be able to claim up to ten percent of the amount they claim on their federal tax return on their state tax return for the 2015 tax year. The amount refunded through this mechanism is estimated to be $85.7 million and the credit is estimated to average about $217 per qualifying taxpayer. The State EITC is only a TABOR refund mechanism for one year because it becomes permanent after the year it is used as a refund mechanism. After the use of the EITC as a refund mechanism in FY 2014-15, it will be available to qualifying taxpayers on an ongoing basis.

Figure 31. Projected Distribution of Revenue in Excess of the Referendum C Cap, $ in Millions



* The FY 2014-15 amount includes $150.0 million in revenue above the Referendum C Cap for FY 2014-15, as well as $3.6 million in pending amounts owed related to refunds from prior years. These amounts are the result of (a) adjustments that were made to State accounting records for years in which TABOR refunds occurred that resulted in additional required refunds to taxpayers and (b) the refund mechanisms in previous years refunding less actual money than the amount required. Such refunds are held by the State until a future year in which a TABOR refund occurs when they are added to the total refund amount and distributed to taxpayers.

The six-tier sales tax refund will distribute the remaining $67.9 million of the refund in FY 2014-15 as specified by Section 39-22-2002, C.R.S. The amount of the refund that can be claimed by each taxpayer is calculated according to a statutory formula that includes six adjusted gross income tiers and the total amount to be refunded. Estimates of the amount of the refund per taxpayer based on income tier expected to be distributed by the six-tier sales tax refund are shown in Figure 32.

In FY 2015-16, the six-tier sales tax refund mechanism will be used to distribute the projected $116.7 million exceeding the Referendum C cap. The refund amount is not large enough to trigger the temporary income tax rate reduction. If revenue comes in higher than projected and exceeds the threshold that would activate the temporary tax rate reduction, then the amount refunded via the six-tier sales tax refund will be reduced and the majority of the refund will be distributed via the temporary income tax rate reduction. OSPB projects the threshold for activating the income tax rate reduction to be $222.7 million for FY 2015-16, over $100 million higher than this forecast's projection for revenue in excess of the cap.

Revenue in excess of the cap in FY 2016-17 and FY 2017-18, projected at $398.0 million and $474.5 million respectively, will meet the refund threshold amount to activate the temporary income tax rate reduction refund mechanism as specified by Section 39-22-627, C.R.S. This refund mechanism will reduce the state income tax rate from 4.63 to 4.5 percent for tax years 2017 and 2018. This would reduce state income tax liabilities for individual income taxpayers by about $53 for tax year 2017 and $56 for tax year 2018 on average per taxpayer, though the amount will vary greatly based on a taxpayer's taxable income level. The amounts refunded through this mechanism are estimated to be $235.9 million in FY 2016-17 and $252.0 million in FY 2017-18. The remaining portions, shown in figure 32, will be refunded through the six-tier sales tax refund mechanism.

Figure 32. Projected Distribution of Refunds via the Six-Tier Sales Tax Refund Mechanism

	FY 2014-15*	FY 2015-16	FY 2016-17	FY 2017-18
Projected Total Refund via Six-Tier Sales Tax Refund	$67.9 million	$116.7 million	$162.2 million	$222.5 million
Adjusted Gross Income Tier	Estimated Refund per Taxpayer			
First 35% (Up to $36,001)	$13	$22	$30	$40
Next 27% ($36,001 - $77,000)	$18	$30	$40	$53
Next 17% ($77,001 - $120,000)	$21	$34	$46	$62
Next 9% ($120,001 - $163,000)	$23	$39	$53	$71
Next 4% ($163,001 - $204,000)	$25	$42	$57	$76
Last 7% ($204,001 and Up)	$41	$68	$91	$122

*The number of taxpayers that will claim refunds used for calculating the estimated refund per taxpayer for tax year 2015, as well as the adjusted gross income tiers, are the Colorado Department of Revenue's projections. Income tiers represent tax year 2015.

TABOR refund amounts will affect transfers to transportation and capital construction (SB 09-228 transfers) – In addition to activating distributions of refunds to taxpayers, projected revenue in excess of the Referendum C cap affects the transfers to transportation and capital construction created by Senate Bill 09-228, as specified by Section 24-75-219, C.R.S. Because total personal income in Colorado grew by more than 5 percent in 2014, this statute requires transfers of General Fund revenue to the Highway Users Tax Fund and the Capital Construction Fund for five years starting in FY 2015-16. However, these transfers are reduced by half if there is a TABOR refund in the same fiscal year in an amount between 1 and 3 percent of total General Fund revenue. The transfers are suspended in full if there is a TABOR refund in excess of 3 percent of total General Fund revenue.

The projected TABOR refund in FY 2015-16 represents an amount equal to 1.15 percent of General Fund revenue. Therefore, the transfers for transportation and capital construction will be reduced by half – from $203.6 million to $101.8 million and $50.9 million to $25.4 million, respectively – under this forecast. However, a small decrease in revenue subject to TABOR would push the TABOR refund below 1 percent of General Fund revenue, increasing the transfers to their full amounts.

According to current projections, the transportation and capital construction transfers will be reduced to zero for FY 2016-17 and FY 2017-18 because the TABOR refund is expected to be larger than 3 percent of total General Fund revenue. This forecast projects the refund to be 3.7 percent of total General Fund revenue in FY 2016-17 and 4.2 percent of total General Fund revenue in FY 2017-18.

TABOR election provisions and Proposition AA – TABOR also has provisions regarding estimates of revenue from new taxes approved by voters. In November 2013, voters approved excise and special sales taxes on retail marijuana in Proposition AA on the election ballot. Revenue generated from these taxes was estimated at $67 million in the "Blue Book" voting guide distributed to voters prior to the election, as specified by the Colorado Constitution. If the excise and special sales tax revenue were to have exceeded the $67 million estimate, the excess must be refunded to voters – unless voters decide that the State can retain the revenue – and the tax rates must be reduced. Actual retail marijuana tax collections in FY 2014-15 were $66.1 million, just under the $67 million estimate.

Under the provisions of TABOR, a refund must also occur if revenue subject to TABOR collected by the State in FY 2014-15 exceeds the estimate of $12.08 billion that was shown in the Blue Book analysis of Proposition AA. Revenue exceeded this amount in FY 2014-15, meaning that a refund to taxpayers needs to occur unless voters decide that the State can retain the revenue. However, the refund associated with the estimates for Proposition AA cannot exceed the actual amount of new marijuana tax revenue collected in FY 2014-15.

As a result of the refund requirement, HB 15-1367 refers a measure to voters ─ "Proposition BB" ─ asking if the State can retain and spend the revenue collected from the Proposition AA taxes. The bill created a special account in the General Fund consisting of $58.0 million, the amount forecasted by Legislative Council Staff in March to be collected from Proposition AA taxes in FY 2014-15. The $58 million special account was funded by a $27.7 million transfer from the Marijuana Tax Cash Fund pursuant to Senate Bill 15-249, and $30.3 million from the General Fund. The special account was set aside (shown in line 10 of Table 4) in case the money needs to be refunded to taxpayers if voters do not pass Proposition BB. HB 15-1367 creates a mechanism to help repay the $30.3 million of General Fund for the special account over a period of time using money collected from the special sales tax on retail marijuana.

If voters do not allow the State to retain the revenue, HB 15-1367 requires the money to be refunded through three different mechanisms: 1) a temporary reduction in the special sales tax on retail marijuana sales from 10 percent to 0.1 percent (about $17 million of the required refund); 2) a refund to marijuana cultivation facilities of all the marijuana excise taxes they paid in FY 2014-15 (about $24 million of the required refund); and 3) the six-tier sales tax refund mechanism that is used to refund revenue above the Referendum C cap discussed above ($25 million of the required refund). The $25 million refunded through the six-tier sales tax refund mechanism is excluded from the amounts shown in Figure 32 that are projected to occur due to revenue exceeding the Referendum C cap. If voters reject Proposition BB, the $25 million would be added to the $67.9 million in FY 2014-15 shown in Figure 32 to be refunded through the six-tier sales tax refund mechanism. General Fund obligations to pay for the refunds through the three mechanisms are $4.3 million higher than the amount set aside in the $58 million special account.

If voters approve the measure, allowing the State to retain the marijuana tax revenue, HB 15-1367 requires $40 million to be credited to public school capital construction; $12 million to be used for various other purposes, such as law enforcement, youth programs, and marijuana education and prevention programs; and the remaining $14.1 million to remain in the General Fund.

HB 15-1367 also temporarily reduced both the 10 percent special sales tax and 15 percent excise tax rates on retail marijuana to zero for one day on September 16, 2015, regardless of voter approval. This was to satisfy the TABOR provisions to reduce tax rates if revenue estimates given to voters are exceeded. However, the rate reduction was temporary because Proposition AA allowed the State to increase the rates without further voter approval so long as the rate of either tax does not exceed 15 percent. It also lowers the 10 percent special sales tax on retail marijuana sales to 8 percent starting in FY 2017-18.

Governor's Revenue Estimating Advisory Committee

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- Tucker Hart Adams – Senior Partner, Summit Economics LLC
- Alison Felix – Vice President and Denver Branch Executive, Denver Branch – Federal Reserve Bank of Kansas City
- Elizabeth Garner – State Demographer, Colorado Department of Local Affairs
- Alexandra Hall – Labor Market Information Director, Colorado Department of Labor and Employment
- Ronald New – Capital Markets Executive
- Patricia Silverstein – President, Development Research Partners
- Richard Wobbekind – Associate Dean, Leeds School of Business; University of Colorado, Boulder

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Appendix – Reference Tables

Table 1. History and Forecast for Key Colorado Economic Variables
Calendar Year 2010-2017

Line No.		Actual					September 2015 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017
	Income								
1	Personal Income (Billions) /A	$210.5	$226.1	$240.3	$247.1	$261.0	$273.8	$289.4	$306.4
2	Change	1.9%	7.5%	6.3%	2.8%	5.6%	4.9%	5.7%	5.9%
3	Wage and Salary Income (Billions) /A	$113.8	$118.6	$125.1	$129.6	$137.7	$144.9	$153.3	$162.6
4	Change	1.3%	4.2%	5.5%	3.6%	6.3%	5.2%	5.8%	6.1%
5	Per-Capita Income ($/person) /A	$41,685.8	$44,171.8	$46,294.9	$46,863.6	$48,730.3	$50,343.6	$52,306.1	$54,446.9
6	Change	1.5%	6.0%	4.8%	1.2%	4.0%	3.3%	3.9%	4.1%
	Population & Employment								
7	Population (Thousands) /B	5,049	5,120	5,192	5,272	5,356	5,439	5,532	5,628
8	Change	0.5%	1.4%	1.4%	1.5%	1.6%	1.6%	1.7%	1.7%
9	Net Migration (Thousands)	37	34	39	45	53	56	60	63
10	Unemployment Rate	8.7%	8.3%	7.8%	6.8%	5.0%	4.3%	4.3%	4.2%
11	Total Nonagricultural Employment (Thousands) /C	2,222.3	2,258.6	2,313.0	2,381.9	2,464.7	2,533.7	2,607.2	2,680.2
12	Change	-1.0%	1.6%	2.4%	3.0%	3.5%	2.8%	2.9%	2.8%
	Construction Variables								
13	Total Housing Permits Issued (Thousands)	11.6	13.5	23.3	27.5	28.7	31.0	35.9	39.6
14	Change	23.9%	16.5%	72.6%	18.1%	4.2%	7.9%	16.1%	10.1%
15	Nonresidential Construction Value (Millions) /D	$3,146.7	$3,516.2	$3,112.3	$3,614.0	$4,301.1	$4,614.6	$4,718.0	$4,849.1
16	Change	-6.2%	11.7%	-11.5%	16.1%	19.0%	7.3%	2.2%	2.8%
	Prices & Sales Variables								
17	Retail Trade (Billions) /E	$70.5	$75.9	$80.2	$84.1	$90.3	$94.6	$99.8	$105.6
18	Change	6.0%	7.7%	5.7%	4.8%	7.4%	4.8%	5.5%	5.8%
19	Denver-Boulder-Greeley Consumer Price Index (1982-	212.4	220.3	224.6	230.8	237.2	241.5	247.7	253.7
20	Change	1.9%	3.7%	1.9%	2.8%	2.8%	1.8%	2.6%	2.4%

/A Personal Income as reported by the federal Bureau of Economic Analysis includes: w age and salary disbursements, supplements to w ages and salaries, proporietors' income w ith inventory and capital consumption adjustments, rental income of persons w ith capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

/B Population as reported by the U.S. Bureau of the Census. Population forecasts according to Colorado Department of Local Affairs State Demography Office.

/C Includes OSPB's estimates of forthcoming revisions to jobs data that are currently not published. The jobs figures w ill be benchmarked based on Quarterly Census of Employment and Wage data to more accurately reflect the number of jobs in the state than w hat w as estimated based on a survey of employers.

/D 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, medical and government buildings. Nonresidential does not include non-building projects (such as streets, highw ays, bridges and utilities).

/E Retail Trade includes motor vehicles and automobile parts, furniture and home furnishings, electronics and appliances, building materials, sales at food and beverage stores, health and personal care, sales at convenience stores and service stations, clothing, sporting goods / books / music, and general merchandise found at w arehouse stores and internet purchases. In addition, the above dollar amounts include sales from food and drink vendors (bars and restaurants).

Table 2. History and Forecast for Key National Economic Variables
Calendar Year 2010 – 2017

Line No.		Actual					September 2015 Forecast		
		2010	2011	2012	2013	2014	2015	2016	2017
	Inflation-Adjusted & Current Dollar Income Accounts								
1	Inflation-Adjusted Gross Domestic Product (Billions) /A	$14,783.8	$15,020.6	$15,354.6	$15,583.3	$15,961.7	$16,346.4	$16,755.0	$17,157.2
2	Change	2.5%	1.6%	2.2%	1.5%	2.4%	2.4%	2.5%	2.4%
3	Personal Income (Billions) /B	$12,477.1	$13,254.5	$13,915.1	$14,068.4	$14,694.2	$15,331.9	$16,083.2	$16,855.2
4	Change	3.2%	6.2%	5.0%	1.1%	4.4%	4.3%	4.9%	4.8%
5	Per-Capita Income ($/person)	$40,334	$42,520	$44,300	$44,450	$46,084	$47,693	$49,618	$51,536
6	Change	2.4%	5.4%	4.2%	0.3%	3.7%	3.5%	4.0%	3.9%
7	Wage and Salary Income (Billions) /B	$6,377.5	$6,633.2	$6,930.3	$7,114.4	$7,477.8	$7,829.3	$8,259.9	$8,738.9
8	Change	2.0%	4.0%	4.5%	2.7%	5.1%	4.7%	5.5%	5.8%
	Population & Employment								
9	Population (Millions)	309.3	311.7	314.1	316.5	318.9	321.5	324.1	327.1
10	Change	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%	0.9%
11	Unemployment Rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.4%	5.0%	4.9%
12	Total Nonagricultural Employment (Millions)	130.3	131.8	134.1	136.4	139.0	141.8	144.6	147.4
13	Change	-0.7%	1.2%	1.7%	1.7%	1.9%	2.0%	2.0%	1.9%
	Price Variables								
14	Consumer Price Index (1982-84=100)	218.1	224.9	229.6	233.0	236.7	236.8	241.3	246.1
15	Change	1.6%	3.1%	2.1%	1.5%	1.6%	0.0%	1.9%	2.0%
16	Producer Price Index - All Commodities (1982=100)	184.7	201.1	202.2	203.4	205.3	190.7	197.4	206.3
17	Change	6.8%	8.9%	0.5%	0.6%	0.9%	-7.1%	3.5%	4.5%
	Other Key Indicators								
18	Corporate Profits (Billions)	$ 1,746.4	$ 1,816.6	$ 1,998.2	$ 2,037.4	$ 2,072.9	$ 2,097.8	$ 2,213.2	$ 2,299.5
19	Change	25.0%	4.0%	10.0%	2.0%	1.7%	1.2%	5.5%	3.9%
20	Housing Permits (Millions)	0.605	0.624	0.829	0.990	1.046	1.210	1.404	1.560
21	Change	3.7%	3.2%	32.9%	19.4%	5.7%	15.6%	16.1%	11.1%
22	Retail Trade (Billions)	$4,288.3	$4,601.8	$4,831.1	$5,011.7	$5,204.7	$5,324.4	$5,585.3	$5,853.4
23	Change	5.4%	7.3%	5.0%	3.7%	3.8%	2.3%	4.9%	4.8%

/A U.S. Bureau of Economic Analysis, National Income and Product Accounts. Inflation-adjusted, in 2009 dollars.

/B Personal Income as reported by the U.S. Bureau of Economic Analysis includes: wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory and capital consumption adjustments, rental income of persons with capital consumption adjustments, personal dividend income, personal interest income, and personal current transfer receipts, less contributions from government social insurance.

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

Line No.	Category	Preliminary FY 2014-15	Preliminary %Chg	September 2015 Estimate by Fiscal Year: FY 2015-16	%Chg	FY 2016-17	%Chg	FY 2017-18	%Chg
	Excise Taxes:								
1	Sales	$2,621.2	8.1%	$2,741.4	4.6%	$2,897.0	5.7%	$3,030.5	4.6%
2	Use	$260.2	7.8%	$257.4	-1.1%	$266.2	3.4%	$282.5	6.1%
3	Cigarette	$37.9	3.6%	$37.4	-1.3%	$35.6	-4.7%	$34.5	-3.2%
4	Tobacco Products	$17.8	5.3%	$22.0	23.5%	$20.3	-7.7%	$20.8	2.6%
5	Liquor	$41.5	2.8%	$42.4	2.2%	$42.9	1.3%	$44.0	2.5%
6	**Total Excise**	**$2,978.6**	**7.9%**	**$3,100.6**	**4.1%**	**$3,262.0**	**5.2%**	**$3,412.3**	**4.6%**
	Income Taxes:								
7	Net Individual Income	$6,350.1	11.5%	$6,579.2	3.6%	$7,109.5	8.1%	$7,460.9	4.9%
8	Net Corporate Income	$692.9	-3.9%	$729.5	5.3%	$763.1	4.6%	$799.3	4.7%
9	**Total Income**	**$7,043.0**	9.8%	**$7,308.6**	**3.8%**	**$7,872.5**	**7.7%**	**$8,260.2**	**4.9%**
10	*Less: State Education Fund Diversion*	*$519.8*	*8.6%*	*$540.8*	*4.0%*	*$590.4*	*9.2%*	*619.5*	*4.9%*
11	**Total Income to General Fund**	**$6,523.1**	**9.9%**	**$6,767.8**	**3.8%**	**$7,282.1**	**7.6%**	**$7,640.6**	**4.9%**
	Other Revenue:								
12	Insurance	$257.6	7.8%	$270.0	4.8%	$276.2	2.3%	$281.5	1.9%
13	Interest Income	$8.1	-46.6%	$14.6	79.6%	$15.4	5.8%	$16.3	5.7%
14	Pari-Mutuel	$0.6	0.2%	$0.6	-3.0%	$0.6	-3.0%	$0.6	-2.0%
15	Court Receipts	$2.6	0.3%	$2.5	-4.3%	$2.4	-1.0%	$2.4	0.0%
16	Other Income	$30.4	42.5%	$23.6	-22.3%	$25.4	7.3%	$26.8	5.8%
17	**Total Other**	**$299.3**	**7.2%**	**$311.3**	**4.0%**	**$320.0**	**2.8%**	**$327.7**	**2.4%**
18	**GROSS GENERAL FUND**	**$9,801.0**	**9.2%**	**$10,179.7**	**3.9%**	**$10,864.1**	**6.7%**	**$11,380.6**	**4.8%**

Table 4. General Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	September 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
Revenue					
1	**Beginning Reserve**	**$435.9**	**$638.0**	**$577.0**	**$644.4**
2	**Gross General Fund Revenue**	**$9,801.0**	**$10,179.7**	**$10,864.1**	**$11,380.6**
3	*Transfers to the General Fund*	*$65.8*	*$15.6*	*$16.8*	*$17.9*
4	**TOTAL GENERAL FUND AVAILABLE FOR EXPENDITURE**	**$10,302.8**	**$10,833.2**	**$11,458.0**	**$12,042.9**
Expenditures					
5	**Appropriation Subject to Limit**	**$8,869.0**	**$9,442.1**	**$9,962.7**	**$10,485.6**
6	*Dollar Change (from prior year)*	*$650.3*	$573.1	$520.6	$522.9
7	*Percent Change (from prior year)*	7.9%	6.5%	5.5%	5.2%
8	**Spending Outside Limit**	**$795.8**	**$814.2**	**$850.9**	**$878.9**
9	*TABOR Refund under Art. X, Section 20, (7) (d)*	*$153.6*	*$116.7*	*$398.0*	*$474.5*
10	*Set Aside for Potential TABOR Refund under Art. X, Section 20, (3) (c)*	*$58.0*	*$0.0*	*$0.0*	*$0.0*
11	*Rebates and Expenditures*	*$256.7*	$263.1	$278.0	$290.2
12	*Transfers for Capital Construction*	*$248.5*	$246.8	$86.7	$41.9
13	*Transfers to Highway Users Tax Fund*	$0.0	$101.8	$0.0	$0.0
14	*Transfers to State Education Fund under SB 13-234*	$25.3	$25.3	$25.3	$25.3
15	*Transfers to Other Funds*	$44.0	$60.4	$62.8	$47.0
16	*Other Expenditures Exempt from General Fund Appropriations Limit*	$9.7	$0.0	$0.0	$0.0
17	**TOTAL GENERAL FUND OBLIGATIONS**	**$9,664.8**	**$10,256.2**	**$10,813.6**	**$11,364.5**
18	*Percent Change (from prior year)*	10.3%	6.1%	5.4%	5.1%
19	Reversions and Accounting Adjustments	*$0.0*	$0.0	$0.0	$0.0
Reserves					
20	**Year-End General Fund Balance**	**$638.0**	**$577.0**	**$644.4**	**$678.4**
21	*Year-End General Fund as a % of Appropriations*	*7.2%*	6.1%	6.5%	6.5%
22	*General Fund Statutory Reserve*	$576.5	$611.3	$644.4	$678.4
23	*Above (Below) Statutory Reserve*	$61.5	-$34.3	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund budget starting on page 34 for information on the figures in this table.

Table 5. General Fund and State Education Fund Overview /A
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	September 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
Revenue					
1	**Beginning Reserves**	**$1,484.9**	**$1,319.9**	**$887.1**	**$774.7**
2	*State Education Fund*	$1,048.9	$682.0	$310.1	$130.4
3	*General Fund*	$435.9	$638.0	$577.0	$644.4
4	**Gross State Education Fund Revenue**	**$594.4**	**$571.8**	**$621.9**	**$651.3**
5	**Gross General Fund Revenue /B**	**$9,866.9**	**$10,195.3**	**$10,881.0**	**$11,398.5**
6	**TOTAL FUNDS AVAILABLE FOR EXPENDITURE**	**$11,946.1**	**$12,087.0**	**$12,390.0**	**$12,824.5**
Expenditures					
7	General Fund Expenditures /C	$9,664.8	$10,256.2	$10,813.6	$11,364.5
8	State Education Fund Expenditures	*$969.2*	*$943.7*	*$801.7*	*$644.9*
9	**TOTAL OBLIGATIONS**	**$10,634.0**	**$11,199.9**	**$11,615.3**	**$12,009.4**
10	*Percent Change (from prior year)*	11.9%	5.3%	3.7%	3.4%
11	*Reversions and Accounting Adjustments*	*($7.9)*	*$0.0*	*$0.0*	*$0.0*
	General Fund Reversions and Accounting Adjustments	*$0.0*	*$0.0*	*$0.0*	*$0.0*
	State Education Fund Reversions and Accounting Adjustments	*($7.9)*	*$0.0*	*$0.0*	*$0.0*
Reserves					
12	**Year-End Balance**	**$1,319.9**	**$887.1**	**$774.7**	**$815.1**
13	State Education Fund	$682.0	$310.1	$130.4	$136.7
14	General Fund	$638.0	$577.0	$644.4	$678.4
15	*Transfer of Excess General Fund Reserve to Other Funds*	$0.0	$0.0	$0.0	$0.0
16	*General Fund Excess After Any Funds Above Statutory Reserve are Allocated*	$61.5	-$34.3	$0.0	$0.0

/A See the section discussing the General Fund and State Education Fund budget starting on page 34 for information on the figures in this table.

/B This amount includes transfers to the General Fund shown in line 3 in Table 4.

/C General Fund expenditures include appropriations subject to the limit of 5.0% of Colorado personal income shown in line 5 in Table 4 as well as all spending outside the limit shown in line 8 in Table 4.

Table 6. Cash Fund Revenue Subject to TABOR Forecast by Major Category
(Dollar amounts in Millions)

Category	Preliminary FY 2014-15	September 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-2018
Transportation-Related /A	**$1,164.6**	**$1,179.4**	**$1,207.4**	**$1,234.3**
Change	2.5%	1.3%	2.4%	2.2%
Limited Gaming Fund /B	**$99.3**	**$102.4**	**$105.4**	**$108.6**
Change	1.1%	3.1%	3.0%	3.0%
Capital Construction - Interest	**$4.7**	**$4.4**	**$1.5**	**$1.3**
Change	94.0%	-4.4%	-67.1%	-13.2%
Regulatory Agencies	**$64.7**	**$66.4**	**$68.7**	**$71.3**
Change	-5.5%	2.6%	3.5%	3.8%
Insurance-Related	**$21.5**	**$13.7**	**$13.8**	**$14.0**
Change	4.1%	-36.4%	0.7%	1.4%
Severance Tax /C	**$280.2**	**$109.0**	**$162.9**	**$198.4**
Change	4.3%	-61.1%	49.4%	21.8%
Hospital Provider Fee /D	**$528.8**	**$805.0**	**$756.3**	**$798.8**
Change	-6.7%	52.2%	-6.0%	5.6%
Other Miscellaneous Cash Funds	**$585.1**	**$584.0**	**$601.2**	**$615.5**
Change	2.9%	-0.2%	2.9%	2.4%
TOTAL CASH FUND REVENUE	***$2,748.8***	***$2,864.4***	***$2,917.3***	***$3,042.2***
Change	0.7%	4.2%	1.8%	4.3%

/A Includes revenue from SB 09-108 (FASTER) which began in FY 2009-10. Roughly 40% of FASTER-related revenue is directed to two State Enterprises. Revenue to State Enterprises is exempt from TABOR and is thus not included in the figures reflected by this table.

/B Excludes tax revenue from extended gaming as allowed by Amendment 50 to the Colorado Constitution as this revenue is exempt from TABOR. The portion of limited gaming revenue that is exempt is projected based on the formula outlined in HB 09-1272.

/C FY 2014-15 figure includes the impact of SB 15-255 which credits severance tax collections between May 1st and June 30th, 2015, up to $20 million, into the General Fund. Actual collections were equal to $16.2 million.

/D Figures include the impact of SB 13-200 which put into statute the expansion of Colorado's Medicaid program beginning on January 1, 2014, as allowed by the federal law known as the Affordable Care Act.

Table 7. TABOR Revenue & Referendum C Revenue Limit
(Dollar Amounts in Millions)

Line No.		Preliminary FY 2014-15	September 2015 Estimate by Fiscal Year FY 2015-16	FY 2016-17	FY 2017-18
	TABOR Revenues:				
1	General Fund /A	$9,755.4	$10,131.9	$10,811.2	$11,335.9
	Percent Change from Prior Year	8.8%	3.9%	6.7%	4.9%
2	Cash Funds /A	$2,748.2	$2,864.4	$2,917.3	$3,042.2
	Percent Change from Prior Year	0.7%	4.2%	1.8%	4.3%
3	Total TABOR Revenues	$12,503.7	$12,996.3	$13,728.4	$14,378.1
	Percent Change from Prior Year	6.9%	3.9%	5.6%	4.7%
	Revenue Limit Calculation:				
4	Previous calendar year population growth	1.5%	1.6%	1.7%	1.7%
5	Previous calendar year inflation	2.8%	2.8%	1.8%	2.6%
6	Allowable TABOR Growth Rate	4.3%	4.4%	3.5%	4.3%
7	TABOR Limit	$9,969.6	$10,390.6	$10,754.3	$11,216.7
8	General Fund Exempt Revenue Under Ref. C /B	$2,384.1	$2,489.0	$2,576.1	$2,686.9
9	Revenue Cap Under Ref. C /C	$12,353.7	$12,879.6	$13,330.4	$13,903.6
10	Amount Above/(Below) Cap	$150.0	$116.7	$398.0	$474.5
11	TABOR Reserve Requirement	$370.6	$386.4	$399.9	$417.1

/A Amounts differ from the General Fund and Cash Fund revenues reported in Table 3 and Table 6 due to accounting adjustments and because some General Fund revenue is exempt from TABOR.

/B The TABOR limit and Referendum C Cap is adjusted to account for changes in the enterprise status of various State entities.

/C Under Referendum C, a "General Fund Exempt Account" is created in the General Fund. The account consists of money collected in excess of the TABOR limit in accordance with voter-approval of Referendum C.

/D The revenue limit is calculated by applying the "Allowable TABOR Growth Rate" to either "Total TABOR Revenues" or the "Revenue Cap Under Ref. C," whichever is smaller. Beginning in FY 2010-11, the revenue limit is based on the highest revenue total from FY 2005-06 to 2009-10 plus the "Allowable TABOR Growth Rate." FY 2007-08 was the highest revenue year during the Referendum C timeout period.

APPENDIX D

STATE PENSION SYSTEM

The information included in this Appendix is based on information compiled and presented in the Public Employees' Retirement Association ("PERA") Comprehensive Annual Financial Report for the Plan Year ended December 31, 2014 (the "PERA 2014 CAFR"). The PERA 2014 CAFR was prepared by PERA staff employees and the firm of Cavanaugh Macdonald Consulting, LLC, PERA's independent actuary, and audited by KPMG, LLP, PERA's independent public accounting firm. The valuations and other assessments of PERA constitute forward looking information as described in the preliminary notices in this Official Statement because they are based on assumptions about future events. The assumptions underlying the valuations and assessments may prove to be inaccurate and may be changed by PERA and its representatives and consultants to reflect actual results and future projections as additional information becomes available. The State takes no responsibility for the accuracy, validity or completeness of such information, valuations and assessments. The PERA 2014 CAFR is not incorporated in this Official Statement by reference or otherwise, and the State makes no representations regarding the accuracy of the information in the PERA 2014 CAFR.

The information in the State's Fiscal Year 2013-14 CAFR is derived from PERA's Comprehensive Annual Financial Report for calendar year 2013, both of which were prepared in conformance with generally accepted accounting principles as then applicable to such entities as prescribed by the Governmental Accounting Standards Board ("GASB"). The information in this Official Statement regarding PERA is derived from the PERA 2014 CAFR and 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") as discussed in "Implementation by PERA of GASB 67" below.

General Description

Overview. The State of Colorado, like most other state and local governments, provides post-employment benefits to its employees based on their work tenure and earnings history. By statute, the State created PERA, which administers cost-sharing, multiple-employer defined benefit plans to provide retirement, death and disability benefits through the State Division Trust Fund (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 2014 CAFR for a discussion of the membership in the State Division Plan and the State Division DC Plan, respectively. See also Management's Discussion and Analysis and Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a description of the State Division Plan and the State Division DC Plan.

Because the majority of State employees participate in the State Division Plan and not in the State Division DC Plan, and the number of judges employed by the State that participate in the Judicial Division is relatively small in comparison to the number of other State employees, the disclosure in "DEBT AND

CERTAIN OTHER FINANCIAL OBLIGATIONS – Pension and Post-Employment Benefits" in the body of this Official Statement and in this Appendix relates only to the State Division Plan.

The State does not participate in the federal Old-Age, Survivors and Disability Insurance (Social Security) program.

PERA. PERA is a legal entity created by statute in 1931 that is separate from the State as further described in Article 51 of Title 24, C.R.S. (the "PERA Act"). Management of PERA is vested in a 16-member Board of Trustees (the "PERA Board"). PERA has fiduciary responsibility for several separate divisions, including the State Division, the School Division, the Local Government Division, the Judicial Division and the Denver Public Schools Division. The State represents the majority, but not all, of the State Division employers and employees. Each Division operates as a separate legal trust. PERA also operates two cost-sharing, multiple-employer post-employment benefit plans through the Health Care Trust Fund and the Denver Public Schools Health Care Trust Fund that provide health care premium subsidies to participating PERA benefit recipients who choose to enroll in one of PERA's health care plans. PERA's financial statements, which include all of its Divisions and trusts, may be obtained by writing to PERA at P.O. Box 5800, Denver, Colorado 80217-5800, by calling the PERA Infoline at 1-800-759-7372 or by visiting http://www.copera.org. *The reference to PERA's website is included herein for informational purposes only, and information available on such website or in PERA's financial statements, or any other information provided by PERA, is not incorporated in this Official Statement by reference or otherwise, nor does the State make any representations regarding the accuracy of any such information.*

Basic Provisions of the State Division Plan

Members of the State Division Plan who meet minimum age and service requirements are eligible to receive a monthly retirement benefit based on their employment and earnings history with the State. Calculation of retirement benefits, and eligibility requirements, differ depending on the employee's original hire date. In response to funding challenges, the General Assembly has enacted changes to State Division Plan benefits at various times. Some of such changes have been applied prospectively to newly hired employees. As a result, there are several tiers of employee benefits and related provisions that are based on employee hire dates and other factors. See Notes 18, 19 and 20 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, the PERA 2014 CAFR and the PERA Act for a discussion of eligibility requirements and the various tiers of benefits under the State Division Plan. See also the Statistical Section of the PERA 2014 CAFR for various statistics regarding members, retirees, survivors and benefit payments for the State Division Plan.

Implementation by PERA of GASB 67

In 2012, GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" ("GASB 67"), which establishes new standards for financial reporting and note disclosure by defined benefit pension plans administered through qualified trusts, and note disclosure requirements for defined contribution pension plans administered through qualified trusts. GASB 67 is effective for accounting periods beginning after June 15, 2013, and, accordingly, PERA implemented GASB 67 in the PERA 2014 CAFR.

The objective of GASB 67 as stated therein is to improve financial reporting by state and local governmental pension plans. The requirements of GASB 67 are intended to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information. A related statement, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," applies to governmental employers and will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. See "Future Changes in Pension Accounting Standards Applicable to the State – GASB 68" below.

GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. Implementation of GASB 67 requires the preparation of two actuarial valuations, one for funding purposes and one for accounting and financial disclosure purposes. The purpose of the funding valuation is to guide the PERA Board's actions necessary to ensure the long-term sustainability of PERA's trust funds. The funding valuation aids this action by allowing PERA to assess the sufficiency of the current statutory contribution rates and analyze the sufficiency of future contributions to meet current and future benefit obligations. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability across U.S. pension plans complying with this new reporting standard. To accomplish this, GASB 67 requires a different approach for determining net pension liability as compared to the previously disclosed unfunded actuarial accrued liability[1], or "UAAL." Net pension liability is to be measured as the total pension liability[2] of the plan less the amount of the plan's fiduciary net position[3].

Another major change in the new standard is the rate used to discount projected benefit payments. The new standard states the long-term expected rate of return on the investments of the plan should be applied only to available plan assets that are expected to be invested using a strategy to achieve that return. If there comes a point in the projections when plan fiduciary net position and contributions related to active and inactive employees are no longer projected to be greater than or equal to projected benefit payments related to those employees and administrative expenses (crossover point), then from that point forward the plan will be required to discount the projected benefit payments after the crossover point using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

GASB 67 also enhances the standards for footnote disclosure and required supplementary information for pension plans, including, among other things, disclosing the plan's net pension liability, ratio of fiduciary net position to total pension liability and actuarial methods and assumptions.

Actuarial Valuations

Many of the measures used to determine and evaluate the financial condition and funding status of the State Division Plan are based on actuarial valuations. An actuarial valuation is the determination, as of the actuarial valuation date, of the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by GASB. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial valuations for each of PERA's defined benefit plans, including the State Division Plan, were prepared by PERA's actuaries as of December 31, 2014, 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. The actuarial valuation for accounting and financial reporting purposes applies the fair value of assets (determined in conformity with GASB standards) to determine

[1] Actuarial accrued liability ("AAL") is the excess of the present value of a pension fund's total of future benefits (payable to the plan participants) and fund administration expenses over the present value of the future normal cost of those benefits. Unfunded actuarial accrued liability is the difference between the AAL and the valuation assets of the fund.

[2] Total pension liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service in conformity with the requirements of GASB 67. For purposes of application to the requirements of GASB 67, AAL is the equivalent of total pension liability.

[3] Fiduciary net position equals assets plus deferred outflows of resources and less liabilities and deferred inflows of resources at the end of the plan's reporting period.

the net pension liability. See the Actuarial Section of the PERA 2014 CAFR for a discussion of other actuarial methods and assumptions used in the actuarial valuations of the State Division Plan.

The PERA 2014 CAFR states that the PERA Board studies all economic and demographic actuarial assumptions at least every five years and approves changes to those assumptions. The PERA Board last completed an experience study in 2012. In addition, the PERA Board reviews the economic assumptions on a more frequent basis. The PERA Board determined that changes to the economic and demographic assumptions were not necessary for the December 31, 2014, accounting actuarial assumptions.

No assurance can be given that any of the assumptions underlying the actuarial valuations of the State Division Plan will reflect the actual results experienced by the Plan. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of Plan assets, the net pension liability of the Plan and other valuation and performance measures determined on the basis of such actuarial valuations.

Funding of the State Division Plan

Statutorily Required Contributions. The State Division Plan is funded with payments made by the State and by each eligible employee as provided in the PERA Act. The State's contributions to the Plan are based on percentages of employee wages and are set by statute. These contribution percentages are referred to herein as the statutorily required contribution, or "SRC," of the State. The baseline SRC that is made by the State for most State employees is 10.15% of the employee's salary. The State has consistently contributed the full amount of the SRC to the State Division Plan. See Note 18 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement for a summary of the SRC percentages payable, and percentage amount of the SRC paid, by the State for the last three Fiscal Years, as well as total PERA plan contributions made by the State for each of the past ten Fiscal Years.

As required by statute, State employees contribute 8.0% (except for State Troopers and Colorado Bureau of Investigation officers, who contribute 10%) of their wages to the State Division Plan, although per SB 10-001, for Fiscal Years 2010-11 and 2011-12 the employee contribution percentage was increased to 10.5% of the employee's wages. The 2.5% increase in contribution percentage by employees offset a 2.5% reduction in the State contribution for those Fiscal Years. The employee contribution rates reverted to pre-Fiscal Year 2010-11 levels effective July 1, 2012, and the State returned to paying the 10.15% SRC.

The General Assembly enacted legislation in 2004, 2006 and 2010 to gradually increase employer contributions to the State Division Plan by authorizing the Amortization Equalization Disbursement, or "AED," and the Supplemental Amortization Equalization Disbursement, or "SAED," in order to shorten the amount of time over which the unfunded liability of the Plan is amortized. Both the AED and the SAED are paid by the State as contributions to the State Division Plan as a percentage of employee wages, but the SAED payment comes from moneys that would otherwise have been used to provide market-based salary increases to employees. The AED applicable to the State Division Plan was effective as of January 1, 2006, and was initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The AED rate applicable to the State Division Plan was 3.8% in 2014, is 4.2% in 2015 and will increase to 4.6% in 2016 and 5.0% in 2017. The SAED applicable to the State Division Plan was effective as of January 1, 2008, and was also initially payable at the rate of 0.5% of total covered payroll, with annual increases in the contribution rate through 2017. The SAED rate applicable to the State Division Plan was 3.5% in 2014, is 4.0% in 2015 and will increase to 4.5% in 2016 and 5.0% in 2017. When and if the scheduled increases in AED and SAED for the State Division Plan are fully implemented as of January 1, 2017, the total SRC applicable to the State Division Plan will be equal to 20.15% of employee wages. See Note 18 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement and Note 4 to the financial statements in the PERA 2014 CAFR for a further discussion of the AED and SAED.

Changes to the statutorily required contributions to the State Division Plan by the State and its employees, or to other provisions of the Plan, could be made by the General Assembly through future legislative action, which changes could impact the SRC, the funding status and/or the financial condition of the Plan as described herein. The State cannot predict if or when any such legislative changes might be enacted or the impact that any such changes, if enacted, might have on the State Division Plan or the State's funding obligations with respect to the Plan.

Because the State's annual contributions with respect to the State Division Plan are set by statute and funded in the State's annual budget, such contributions are not affected in the short term by changes in the actuarial valuation of Plan assets or the funded ratio of the Plan. Any changes in the SRC would require legislative action by the General Assembly. See also "Funding Status of the State Division Plan" below.

While PERA has a pension funding policy as discussed in "*Change in PERA Funding Policy*" hereafter, the State does not have a formal or established policy or procedure for managing its pension liability. PERA annually provides a briefing to State officials and members of the General Assembly as to the status of the State Division Plan and occasionally may pursue legislation pertaining to changes in contribution and/or benefit provisions in furtherance of PERA's funding policy. Legislative proposals to modify the contributions, benefits, eligibility and other provisions of the State Division Plan also are introduced in the General Assembly from time to time independent of a request therefor from PERA.

The SRC is paid from the State General Fund as well as from certain federal and cash funds. Although the rate of the SRC is set by statute, payment of the SRC nevertheless is subject to annual appropriation through the State budgeting process as described in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations" in the body of this Official Statement.

Actuarially Determined Contribution. As a result of the shift in financial disclosure requirements under GASB 67 from a funding-based approach to an accounting-based approach, the historical disclosure and use of the annual required contribution[1], or "ARC," as a funding benchmark by PERA is no longer required. Rather, this philosophical shift necessitates the development and use of a plan-specific actuarially determined contribution ("ADC") benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ADC represents the amount needed to fund benefits over time, and constitutes a target or recommended employer contribution for the reporting period determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted. An ADC deficiency arises when actual employer contributions are less than the ADC, and interest accrues on the ADC deficiency at the plan's expected long-term rate of return. See "*Historical ADC and State Contributions*" below.

Change in PERA Funding Policy. In response to the new GASB 67 standards, the PERA Board adopted a revised pension funding policy in March 2015 with regard to its trust funds to update and replace the prior funding policy dated November 2007. The purpose of the revised funding policy, as stated in the PERA 2014 CAFR, is to: (i) define the overall funding benchmarks of PERA's defined benefit pension trust funds; (ii) assess the adequacy of the contribution rates which are set by the General Assembly by comparing these rates to an ADC rate; and (iii) define the annual actuarial metrics that will assist the PERA Board in assessing the sustainability of the plan. The results of these three items are intended to guide the PERA Board when considering whether to pursue or support proposed legislation pertaining to changes in plan contribution and/or benefit provisions. See "*Statutorily Required Contributions*" above.

[1] Prior to 2014, PERA used the annual required contribution, or ARC, as a funding benchmark against which to gauge the adequacy of the SRC for the State Division Plan. The ARC is the actuarially determined amount that would be required if the State were to fund each year's normal cost (*i.e.*, the present value of the benefits that the State Division Plan projects to become payable in the future that are attributable to a valuation year's payroll) in the State Division Plan plus an annual amortization of the UAAL assuming that the UAAL will be fully funded over a maximum 30-year period. The difference between the ARC and the SRC constitutes either a contribution deficiency or excess contributions. For historical information regarding the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013.

Historical ADC and State Contributions. The following table sets forth for each of the years 2005-2014 (i) the ADC for the State Division Plan, (ii) the annual contribution deficiency and (iii) the actual contribution as a percentage of covered employee payroll. The State annually contributes the full amount of the SRC to the State Division Plan; however, these amounts have been less than the applicable ARC or ADC. During this period the State has not made any contributions to the State Division Plan in excess of the SRC.

The ADC rates, as a percentage of pensionable payroll, used to determine the ADC amounts in Table 1 below are calculated as of December 31 two years prior to the end of the year in which the ADC amounts are reported. The following actuarial methods and assumptions (from the December 31, 2012, actuarial valuation) were used to determine contribution rates reported in the table for the year ended December 31, 2014: (i) the actuarial cost method is based on the entry age of participants; (ii) the Plan's UAAL is amortized as a level percent of payroll, on an open basis, over a 30-year period; (iii) for valuation purposes the actuarial value of assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards; (iv) price inflation is assumed to be 3.50%; (v) real wage growth is assumed to be 0.75%; (vi) salary increases (including assumed wage inflation of 4.25%) are projected to range from 4.25% to 11.20%; (vii) the long-term investment rate of return (net of pension plan investment expense, including price inflation) is assumed to be 8.00%; and (viii) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year and cost of living adjustments for post-2006 hires are assumed to be financed by the Annual Increase Reserve described in footnote 2 to the table. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 3 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2014 CAFR.

Table 1
Employer Contributions
State Division
(Dollar Amounts in Thousands)

Calendar Year	ADC Rate[1]	Covered Employee Payroll	Annual Increase Reserve Contribution[2]	ADC Contribution[3]	Contributions in Relation to the ADC	Annual Contribution Deficiency	Actual Contribution as a Percentage of Covered Employee Payroll
2014	20.45%	$2,564,670	$9,984	$534,459	$444,372	$ 90,087	17.33%
2013	20.01	2,474,965	--	495,241	393,218	102,023	15.89
2012	16.52	2,384,934	--	393,991	328,055	65,936	13.76
2011	13.63	2,393,791	--	326,274	277,122	49,152	11.58
2010	18.93	2,392,080	--	452,821	282,640	170,181	11.82
2009	17.91	2,384,137	--	426,999	293,234	133,765	12.30
2008	18.45	2,371,639	--	437,567	267,533	170,034	11.28
2007	17.23	2,236,518	--	385,352	231,909	153,443	10.37
2006	19.33	2,099,325	--	405,800	208,795	197,005	9.95
2005	17.31	2,064,764	--	357,411	191,629	165,782	9.28

1 See the discussion preceding this table regarding the actuarial methods and assumptions used in determining the ADC rates.

2 The Annual Increase Reserve, or "AIR," was established in 2007 and is used to provide post-retirement benefit increases for members hired on or after January 1, 2007. The AIR is financed by an allocation from employer statutory contributions made on behalf of such members equal to 100% of pensionable payroll and through an allocation of purchase of service dollars. For further information see the PERA 2014 CAFR.

3 The ADC contribution equals the sum of (i) the ADC rate times the covered employee payroll, plus (ii) the AIR.

Source: PERA 2014 CAFR

The Management's Discussion and Analysis in the PERA 2014 CAFR states that, using GASB standards as a guide and the 2013 actuarial valuation based on a 7.5% investment rate of return and discount rate, the 2015 ADC for the State Division Fund will be 22.35%, and using the funding policy approved by the PERA Board in March 2015 and the 2014 actuarial valuation based on a 7.5% investment rate of return and discount rate, the 2016 ADC for the State Division Fund will be 22.31%.

For historical information regarding employer contributions based on the ARC, see PERA's Comprehensive Annual Financial Report for calendar year 2013 and Note 18B to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Funding Status of the State Division Plan

The State Division Plan currently is significantly underfunded. As discussed in "Funding of the State Division Plan – *Statutorily Required Contributions*" above, the AED and SAED were implemented in 2006 and 2008, respectively, and other changes were made to the Plan design by SB 10-001, all in an effort to improve the funding status of the State Division Plan. In addition, investment returns on Plan assets have recently increased following the negative effects of the global economic downturn that began in 2008. The actuarial assumptions as to the investment rate of return on Plan assets and the discount rate on actuarially accrued liabilities were lowered by the PERA Board from 8.5% to 8.0% in 2009, and again from 8.0% to 7.5% at the end of 2013, and other economic assumptions, including the amortization period, have been changed over this period as well, to reflect actual results and new estimates about the future. For further information, see Management's Discussion and Analysis in the State's Fiscal Year CAFR appended to this Official Statement, as well as Management's Discussion and Analysis, Note 10 to the financial statements, Note 2 to the required supplementary information for the Division trust funds and the Actuarial Section in the PERA 2014 CAFR.

The PERA 2014 CAFR reports that at December 31, 2014, the actuarial value of assets of the State Division Plan was approximately $13.5 billion and the AAL of the Plan was approximately $22.4 billion, resulting in a UAAL of approximately $9.9 billion and a funded ratio (*i.e.*, the actuarial value of Plan assets divided by the AAL) of only 57.8%. This UAAL would amortize over a 45-year period based on contribution rates as of the date of calculation (*i.e.*, contributions equal to the SRC) and future increases in the AED and SAED, as well as an investment rate of return and discount rate for actuarially accrued liabilities of 7.5%.

The actuarial value of assets of the State Division Plan is determined by using an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a four-year period to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. Accordingly, the full effect of recent fluctuations in assets of the State Division Plan as a result of economic and market conditions is not reflected in the funded ratio. Based on the market value of assets of the State Division Plan, the PERA 2014 CAFR reports that at December 31, 2014, the UAAL of the Plan was approximately $9.5 billion and the funded ratio was 59.6%.

Table 2 below sets forth for each of the years 2005-2014 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.

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 2.80%; (ii) real wage growth is assumed to be 1.10%; (iii) salary increases (including assumed wage inflation of 3.90%) are projected to range from 3.90% to 9.57%; (iv) the long-term investment rate of return (net of pension plan investment expense, including price inflation) and discount rate are assumed to be 7.50%; and (v) cost of living adjustments for pre-2007 hires are assumed to be 2.00% per year compounded annually, and cost of living adjustments for post-2006 hires are assumed to be financed by the AIR. Other assumptions include, without limitation, future retiree participation and contribution rates and mortality rates. For further information, see Note 10 to the financial statements and the Actuarial Section in the PERA 2014 CAFR.

Table 2
Historical Funding Progress of State Division Plan
Actuarial Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Actuarial Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2014	$13,523,488	$23,408,321	$9,884,834	57.8%	$2,564,670	385.4%
2013	13,129,460	22,843,725	9,714,265	57.5	2,474,965	392.5
2012	12,538,675	21,191,495	8,652,820	59.2	2,384,934	362.8
2011	12,010,045	20,826,543	8,816,498	57.7	2,393,791	368.3
2010	12,791,946	20,356,176	7,564,230	62.8	2,392,080	316.2
2009	13,382,736	19,977,217	6,594,481	67.0	2,384,137	276.6
2008	13,914,371	20,498,668	6,584,297	67.9	2,371,369	277.7
2007	14,220,681	19,390,296	5,169,615	73.3	2,236,518	231.1
2006	13,327,290	18,246,010	4,918,720	73.0	2,099,325	234.3
2005	12,536,916	17,541,744	5,004,828	71.5	2,064,764	242.4

[1] The actuarial value of Plan assets is based on gains and losses smoothed in over a four-year period as permitted by GASB standards.

Source: PERA 2014 CAFR

Table 3
Historical Funding Progress of State Division Plan
Market Value of Plan Assets
(Dollar Amounts in Thousands)

Valuation Date (December 31)	Market Value of Plan Assets[1]	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Employer Payroll	UAAL as Percentage of Employer Payroll
2014	$13,956,630	$23,408,321	$ 9,451,691	59.6%	$2,564,670	385.4%
2013	13,935,754	22,843,725	8,907,971	61.0	2,474,965	392.5
2012	12,766,459	21,191,495	8,425,036	60.2	2,384,934	362.8
2011	12,001,770	20,826,543	8,824,773	57.6	2,393,791	368.7
2010	12,487,105	20,356,176	7,869,071	61.3	2,392,080	329.0
2009	11,611,758	19,977,217	8,365,459	58.1	2,384,137	350.9
2008	10,508,301	20,498,668	9,990,367	51.3	2,371,369	421.3
2007	14,852,029	19,390,296	4,538,267	76.6	2,236,518	202.9
2006	14,041,260	18,264,010	4,222,750	76.9	2,099,325	201.1
2005[2]	31,956,662	43,505,716	11,549,054	73.5	5,305,978	217.7

[1] The market value of Plan assets is the fair value of the assets determined in conformity with GASB standards. See the Investment Section of the PERA 2014 CAFR.

[2] Prior to 2006 the State Division and School Division were combined and administered as a single trust fund, and comparative data for 2005 for only the State Division component of the trust fund was not included in PERA's Comprehensive Annual Financial Report for calendar year 2005 or is otherwise available. The data presented in this table for 2005 is for the combined State and School Division Trust Fund.

Source: PERA Comprehensive Annual Financial Reports for calendar years 2005 through 2014

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 and Net Pension Liability of the State Division Plan

The Statement of Fiduciary Net Position of the State Division Plan as of December 31, 2014, is included in PERA's basic financial statements set forth in the Financial Section of the PERA 2014 CAFR. The following table sets forth for each of the years 2005-2014 the changes in fiduciary net position of the State Division Plan.

Table 4
Changes in Fiduciary Net Position
State Division[1]
(Cash Basis; Dollar Amounts in Thousands)

	For the Year Ended December 31,									
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005[1]**
ADDITIONS										
Employer contributions	$ 444,372	$ 401,658	$ 335,073	$ 283,222	$ 287,624	$ 297,240	$ 270,353	$ 232,997	$ 208,795	$ 491,031
Member contributions	211,610	202,799	227,058	258,678	223,240	194,168	191,481	179,971	169,965	425,657
Purchased service	22,446	22,241	16,358	11,277	12,496	8,830	13,315	8,259	39,480	212,971
Net investment income (loss)	780,762	1,931,658	1,511,244	232,669	1,553,142	1,742,571	(3,745,843)	1,388,265	1,921,863	2,827,871
Other	3,289	4,869	150	331	1	3	7	4	1	(9)
Total additions	1,462,479	2,563,225	2,089,883	786,177	2,076,503	2,242,812	(3,270,687)	1,809,496	2,340,104	3,957,521
DEDUCTIONS										
Benefit payments	1,352,293	1,295,780	1,231,922	1,174,707	1,122,435	1,071,725	999,279	925,761	849,229	1,872,565
Refunds	61,152	68,735	69,221	70,090	68,844	58,416	56,716	56,578	65,911	114,968
Disability insurance premiums	2,309	2,229	1,570	1,685	1,661	2,004	1,794	1,833	1,772	4,038
Administrative expenses	10,067	9,780	8,568	8,685	8,942	8,729	8,639	6,963	7,889	18,811
Other	3,171	3,593	3,911	(4,546)	(726)	(1,519)	6,613	7,592	3,103	10,373
Total deductions	1,428,992	1,380,117	1,315,192	1,250,621	1,201,156	1,139,355	1,073,041	998,727	927,904	2,020,755
Change in fiduciary net position	33,487	1,183,108	774,691	(464,444)	875,347	1,103,457	(4,343,728)	810,769	1,412,200	1,936,766
Fiduciary net position held at beginning of year	13,980,460	12,797,352	12,022,661	12,487,105	11,611,758	10,508,301	14,852,029	14,041,260	12,629,060	30,019,896
Fiduciary net position held at end of year	$14,013,947	$13,980,460	$12,797,352	$12,022,661	$12,487,105	$11,611,758	$10,508,301	$14,852,029	$14,041,260	$31,956,662

[1] Prior to 2006 the State Division and School Division were combined and administered as a single trust fund, and comparative data for 2005 for only the State Division component of the trust fund was not included in PERA's Comprehensive Annual Financial Report for calendar year 2005 or is otherwise available. The data presented in this table for 2005 is for the combined State and School Division Trust Fund.

Source: PERA 2014 CAFR

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 and 2014 (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 2014 CAFR includes a schedule showing the sources of the changes in net pension liability for 2014.

Table 5
Net Pension Liability
State Division[1]
(Dollar Amounts in Thousands)

	For the Year Ended December 31, 2014	2013
Total pension liability[2]	$23,420,461	$22,888,431
Plan fiduciary net position	14,013,947	13,980,460
Net pension liability	$ 9,406,514	$ 8,907,971
Net pension liability as a percentage of total pension liability	59.84%	61.08%
Covered employee payroll	$ 2,564,670	$ 2,474,965
Net pension liability as a percentage of covered employee payroll	366.77%	359.92%

[1] Information for years prior to 2013 is not available.

[2] The total pension liability for the State Division was determined by actuarial valuations as of December 31, 2013, and accepted actuarial procedures were applied to roll-forward the total pension liability to December 31, 2014. The actuarial valuations as of December 31, 2013, used the key actuarial methods, assumptions or other inputs discussed in "Funding Status of the State Division Plan" above, except that the fair value of assets, rather than a four-year smoothed market value of assets, was used to determine the net pension liability.

Source: PERA 2014 CAFR

Investment of State Division Plan Assets

State law authorizes the investment of PERA's funds by the PERA Board, subject to the following limitations:

- The aggregate amount of investment trust shares, corporate stocks, corporate bonds and convertible debentures cannot exceed 65% of the book value of the fund.
- Neither common nor preferred stock of a single corporation can exceed 5% of the book value of the fund.
- The fund cannot acquire more than 12% of the outstanding stocks or bonds of a single corporation.

See Note 5 to the financial statements and the Investment Section of the PERA 2014 CAFR for additional discussion of PERA's investment responsibilities and investment policies.

Certain Litigation Affecting PERA

In 2010 a class action lawsuit was brought against the State, PERA and others in Denver District Court by several PERA retirees challenging the constitutionality of a provision of SB 10-001 which amended the PERA Act to reduce the annual cost of living adjustment increase payable to existing and future PERA retirees in an effort to reach a 100% funded ratio within 30 years. See "Funding Status of the State Division Plan" above. The District Court granted summary judgment in favor of the defendants, and such decision was ultimately upheld by the Colorado Supreme Court.

In 2012 a lawsuit was brought against PERA in Denver District Court by the Memorial Health System ("Memorial") and the City of Colorado Springs to determine whether there was any obligation for the City and Memorial to fund their share of the current unfunded liability in PERA's Local Government Division Trust Fund and Health Care Trust Fund related to Memorial employees when Memorial disaffiliated with PERA following the lease of Memorial by the City to the University of Colorado Health Authority. The lawsuit was settled by the parties in September of 2014 by the payment to PERA of $190,000, which amount was allocated to the Local Government Division Trust Fund and the Health Care Trust Fund.

See Management's Discussion and Analysis and Note 7 to the financial statements in the PERA 2014 CAFR for a further discussion of these and other lawsuits involving PERA.

Future Changes in Pension Accounting Standards Applicable to the State – GASB 68

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68") is a new GASB pronouncement that is related to GASB 67 and is 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 therefore will be implemented by the State in its Comprehensive Annual Financial Report for Fiscal Year 2014-15. GASB 68 revises and establishes new financial reporting requirements for governmental entities, and, among other things, requires cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. PERA reports that the State Division had a UAAL of approximately $9.7 billion as of December 31, 2013, and approximately $9.9 billion as of December 31, 2014. However, at June 30, 2014, the State was unable to estimate its proportionate share of such unfunded pension liability. See the introduction to Notes 1-7 to the State's Fiscal Year 2013-14 CAFR appended to this Official Statement.

Effect of Pension Liability on the Series 2015 Certificates

The State's current pension liability or any increase in such liability, and any actions taken by the General Assembly to address such liability, could impact the State's determination to renew the Lease in the future, and therefore could potentially have a material adverse effect on the payment of the Series 2015 Certificates. It is not possible to predict, and no representations are made herein regarding, how the State's pension liability will change in the future or what actions, if any, might be taken by the General Assembly to address either the State's current or future pension liability. See generally "APPENDIX D – STATE PENSION SYSTEM" and Management's Discussion and Analysis in the State's Fiscal Year 2013-14 CAFR appended to this Official Statement, and particularly the section thereof captioned "CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS – Pension Plan Contributions."

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APPENDIX E

STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

COLORADO
Office of the State Controller
Department of Personnel & Administration

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John Hickenlooper
Governor

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Department of Personnel & Administration
Kathy Nesbitt, Executive Director
Robert Jaros, State Controller

COLORADO
Office of the State Controller
Department of Personnel & Administration

REPORT LAYOUT

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

INTERNET ACCESS

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

http://www.colorado.gov/osc

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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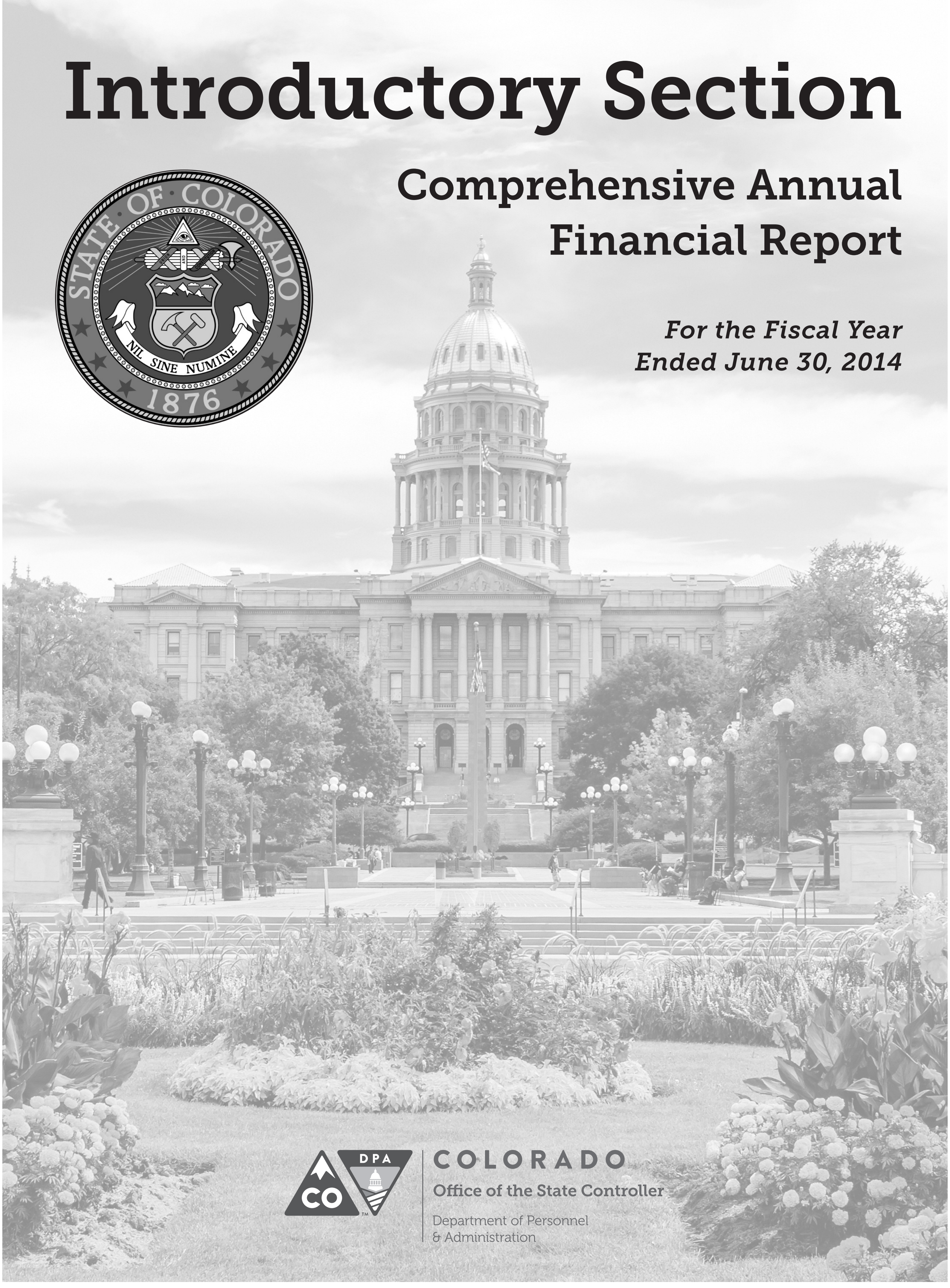


COLORADO
Office of the State Controller
Department of Personnel & Administration

COLORADO
Office of the State Controller
Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

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

It is our privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Colorado for the fiscal year ended June 30, 2014. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. Except for certain institutions of higher education, the State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

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

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 21, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 39 of the Management's Discussion and Analysis.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the State.

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

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

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

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

PROFILE OF THE STATE OF COLORADO

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

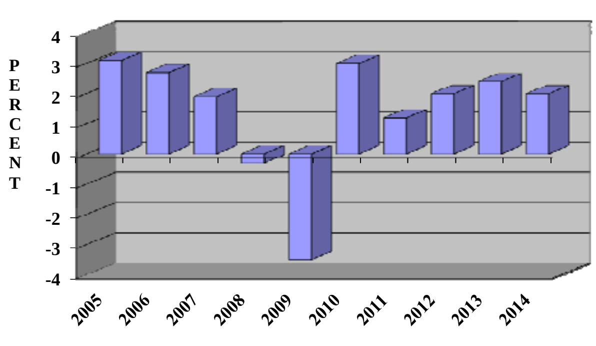
The State maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the State report directly to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

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

The Judicial Branch is responsible for resolving disputes within the State, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by more than 300 justices and judges in 22 judicial districts across the State (excluding 23 Denver county court judges). Municipal courts are not part of the State system. There are also seven water courts, one in each of the State's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

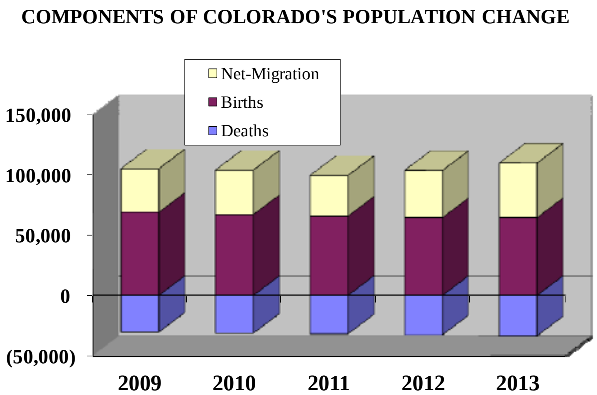
PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



The State's General Fund general-purpose revenues reflect the overall condition of the State economy, which showed improved growth in Fiscal Year 2013-14; General Fund revenues increased by $434.7 million (5.1 percent) from the prior year. In absolute dollars, the Office of State Planning and Budgeting (OSPB) reports personal income in the State increased by approximately 3.4 percent for 2013 and is forecast to increase by 5.8 percent for 2014. State nonagricultural employment levels rose by 69,100 in 2013, and are forecasted to increase by another 71,600 in 2014.

The Bureau of Economic Analysis reports that inflation adjusted national gross domestic product (GDP) grew at an annualized rate of 2.4 percent in the third quarter of calendar year 2013 and 2.0 percent in the third quarter of 2014. Inflation adjusted GDP increased 2.3 percent from the third quarter of 2013 to the third quarter of 2014 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for over two-thirds of GDP and increased 2.3 percent. The increase in personal consumption was led by an increase of 7.5 percent in durable goods, the most significant in motor and recreational vehicle and household equipment sales. Additionally, private domestic investment increased 3.8 percent, primarily in the construction and acquisition of nonresidential structures and equipment offset by a declining investment in the maintenance of inventory levels. Government spending increased quarter-over-quarter by 0.4 percent related to decreases in federal, and increases in state and local government spending. Quarter-over-quarter exports increased by 4.6 percent and imports grew by 3.2 percent; net imports continued to be a reduction of GDP at a slightly greater amount than in the third quarter of 2013.

The national economy is continuing through a prolonged, anemic recovery resulting from the credit and housing boom and bust of the past two decades. This has been compounded by uncertainties in global markets and debates in the U.S. Congress over increases to federal debt ceiling, automatic tax increases and spending cuts. The September, 2014 Economic and Revenue Forecast of the Colorado Legislative Council observed that:



"Economic activity is expected to continue to grow throughout 2014 and 2015, despite a stumble in the first quarter of 2014. The first quarter decline was largely attributable to unusually harsh weather and a response to a previous buildup in inventories. The labor market continues to slowly improve with more jobs and fewer people looking for work. Personal income is on the rise and business activity has been increasing over the past several years. Overall, economic conditions have improved throughout 2014 and are expected to do so through the forecast period. Because of momentum in the economy, the Federal Reserve has indicated that they will stop purchasing assets to expand the money supply by the end of the year. This may dampen economic growth if the asset reduction occurs too quickly."

Colorado's economy continues to expand at a pace that is among the best in the nation. The state's concentration of individuals and businesses focused on products that are in high demand in today's economy, such as those involving information technology, bioscience, engineering and aerospace continue to feed economic growth. Colorado also benefits from a high degree of business dynamism, as well as a growing culture for innovation and collaboration among individuals and firms.

Historically, Colorado economic activity and in-migration have been interdependent. Net migration has averaged approximately 38,300 from 2009 to 2013. In 2013, a 10 year high of approximately 45,300 net migrations occurred. International immigration decreased from approximately 12,400 (2008) to 8,573 (2013). Similarly, domestic migration from other states decreased from 38,500 (2008) to 36,284 (2013). The information in the adjacent chart is based on current Census Bureau estimates. The Colorado State Demographer forecasts net population growth of 85,682 for 2014 and 88,718 for 2015, and OSPB forecasts net migration of 49,500 and 51,900, for those years respectively, which indicates persistent immigration.

The OSPB September 20, 2014 quarterly estimate predicts continued growth in Colorado's economy in 2014; however, federal fiscal policy issues surrounding debt and budget levels could result in larger-than-expected negative economic consequences. Additionally, current weaker global economic conditions, as well as continued geo-political tensions, are concerns. Unexpected events surrounding these issues could have negative implications on the global financial system and economy.

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

- Unemployment will average 5.5 percent for 2014 compared with 6.8 and 7.8 percent in 2013 and 2012, respectively, and it is expected to slightly decrease in 2015 to 4.7 percent.
- Wages and salary income will increase by 6.2 percent in 2014, by 6.0 percent in 2015, and by 5.8 percent in 2016.
- Total personal income will increase by 5.8 percent in 2014, and reach 5.7 percent by 2015.
- Net migration is expected to be 49,500 in 2014 and 51,900 in 2015 with total population growth of about 1.5 and 1.6 percent, respectively.
- Retail trade sales will increase by 6.0 percent in 2014 followed by an increase of 5.8 percent in 2015.
- Colorado inflation will be 2.8 percent in 2014, and decrease to 2.6 percent in 2015.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2014 session. There were several areas of focus including education, social programs and services, disaster mitigation and recovery, disbursement of funds received from the taxation of recreational marijuana, and capital spending. The following measures had the most significant financial impact:

- To implement the Public School Finance Act of 1994, the General Assembly provided an appropriation for an additional $55.4 million for fiscal year 2013-14, primarily for the State share of school districts' total program funding. In addition, for fiscal year 2014-15 the General Assembly made several adjustments to appropriations, including an increase of $152.4 million, for the state share of districts' total program funding, as well as an increase for state aid to charter school facilities and additional support for the intervention funding for the early literacy program. The General Assembly also made several changes to the existing school counselor corps grant program and increased support for categorical programs such as special education programs for gifted and talented children. Additionally, the General Assembly created the School Turnaround Leaders Development Programs to develop high quality leadership for low performing schools.
- The General Assembly enacted legislation that made several modifications to the Colorado child care assistance program (CCCAP). Also related to CCCAP the General Assembly extended the repeal date of the cliff effect pilot program. The cliff effect pilot program allows families to remain in the child care assistance program when working parents receive a small increase in salary that would otherwise make them ineligible for CCCAP; however, the increase of salary is not enough to cover the costs of the child care without assistance.
- The General Assembly enacted legislation to extend the repeal date for the breast and cervical cancer prevention and treatment program and additional funding was provided for allocation to the intellectual and developmental disabilities services cash fund for increasing system capacity for home-based and community-based intellectual and developmental disability programs, services and support.
- To address the concern of the use of long-term isolated confinement for inmates with serious mental illness the General Assembly provided funding to create a work group that shall advise the Department of Corrections (DOC) on policies and procedures related to this concern. The General Assembly also provided DOC with funds to develop and implement programs to assist offenders in correction facilities to prepare for release and transition into the community.
- For the purpose of assisting law enforcement agencies pertaining to the enforcement of driving under the influence of alcohol or drugs, the General Assembly directed the Colorado Bureau of Investigation to operate a state toxicology laboratory by July 1, 2015.
- The General Assembly enacted several disaster mitigation and recovery efforts, including:
  - Legislation that allows payment of claims resulting from the Lower North Fork wildfire, in excess of the State's maximum liability. Under this act, the general assembly approved payment of the total claims specified in the act. The act also states that in accepting the payment, a claimant agrees to release the State from any future claims arising from the wildfire.
  - Direction to the State Board of Education to pay funds from the contingency reserve to school districts that were in financial need due to problems related to the flood of September 2013.
  - Additional support to the Colorado firefighting air corps.
  - Creation of a natural disaster grant fund within the Water Quality Control Division of the Colorado Department of Public Health and Environment. The act requires that the division award grants to eligible local governments that have domestic wastewater treatment works, public drinking water systems, or on-site wastewater treatments systems that were impacted, damaged or destroyed as a result of the flood of September 2013.
  - Authorization to reimburse county treasurers that either issued a tax credit or a tax reimbursement on real or business personal property that was destroyed by a natural cause during calendar year 2013.
  - Creation of a stream restoration grant account in the flood and drought response fund to the Colorado Water Conservation Board. Funds will be used by the Board to make grants to help pay the costs of watershed cleanup and stream restoration affected by the flood.
- The General Assembly passed a measure making a disposition of tax money collected on the sale of marijuana and marijuana products. After the transfer of the first $40.0 million of revenue to the Public School Capital Construction Assistance Fund, after the required 15 percent to local governments, and all revenue from the 2.9 percent state sales tax on the sale of medical and retail marijuana and marijuana products will be deposited in a newly created marijuana tax cash fund. The act also appropriated marijuana tax cash funds to:
  - Support for the school health professional grant program,

- Enhance the Tony Grampsas youth services program, for the provision of substance use disorder treatment services for adolescents and pregnant women, for the expansion and enhancement of jail-based behavioral health services, for the enhancement of programs to provide services to juvenile offenders, and for child welfare training specific to issues arising from marijuana use and abuse,
- Expand training for the peace officer standards and training board,
- Provide services for school-based substance abuse intervention and prevention grant programs, and for behavioral health community programs for school-based prevention and early intervention substance use disorder services to be provided by behavioral health organizations, and
- Create the Office of Marijuana Coordination.

- The General Assembly addressed the State's capital needs with the appropriation of $364.4 million of general-purpose revenues to fund 30 capital projects, 66 controlled maintenance projects, and 4 lease purchase payments for Fiscal Year 2014-15. To maintain the infrastructure of the digital trunked radio system the General Assembly passed a measure for the replacement of legacy radio equipment and hardware at radio tower sites used for the statewide digital trunked radio system. The General Assembly appropriated approximately $136.6 million from the Colorado Water Conservation Board Construction Fund for 12 projects and for loans to special water districts to enable them to purchase storage space in the Chatfield reallocation project. Finally, the State continued efforts to replace its internal statewide financial system with a modern enterprise solution, known as the Colorado Operations Resource Engine (CORE).

BUDGETARY AND OTHER CONTROL SYSTEMS

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

The State records the appropriated budget and certain nonappropriated spending authority (including most institutions of higher education activity) in its accounting system along with estimates of federal awards, statutory cash funds, and custodial funds of the various departments. The accounting system will not disburse monies without spending authority. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A).

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

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

INDEPENDENT AUDIT

The State Auditor performs an audit of the Basic Financial Statements. The opinion of the State Auditor is on page 16 of this report. Besides annually auditing the statewide financial statements, the State Auditor has the authority to audit the financial statements and operations of the departments and institutions within State government.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
Colorado State Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

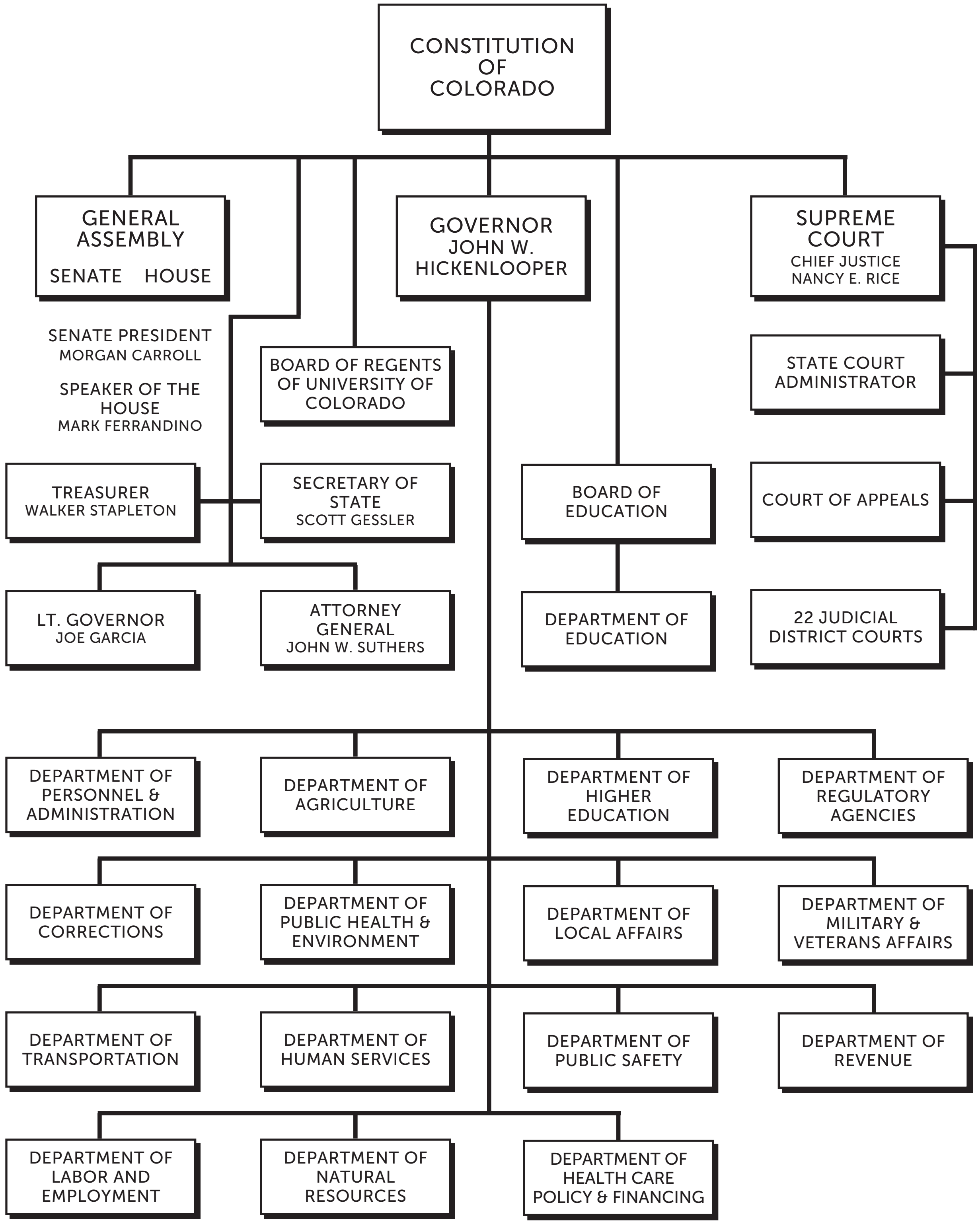
State of Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

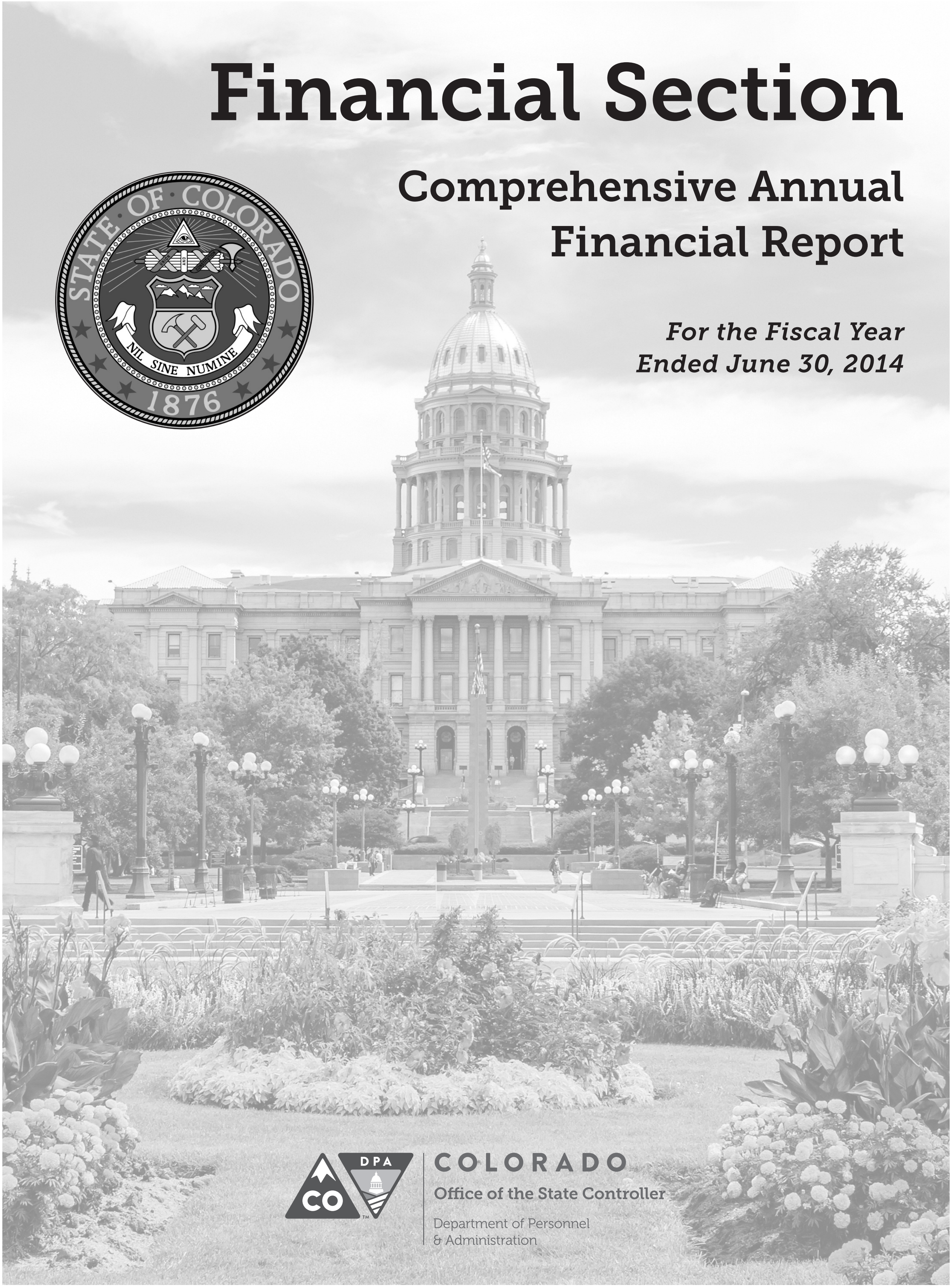
PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



Financial Section

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2014



COLORADO
Office of the State Controller
Department of Personnel
& Administration

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 2, which represent 100 percent of total assets, 100 percent of net position, and 100 percent of revenues, of the discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit, which represents approximately 4 percent of the total assets, 6 percent of the net position, and 11 percent of the total revenues of Higher Education Institutions, a major enterprise fund, and approximately 3 percent of the total assets, 4 percent of the net position, and 8 percent of the total revenues of business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, Colorado School of Mines Foundation, and the University of Northern Colorado Foundation, discretely presented major component units; and University Physicians, Inc., a blended component unit, were audited in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*.

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Phone: 303.869.2800

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2014, 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

As discussed in Note 45 to the financial statements, as of July 7, 2014, the State of Colorado implemented its new financial reporting system identified as the Colorado Operations Resource Engine (CORE). This system replaced the 22-year old previous financial reporting system and retired its former financial system. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in *Notes 1-7 Summary of Significant Accounting Policies section* to the financial statements, the State of Colorado adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65 - *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66 - *Technical Corrections—*2012, *an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in Fiscal Year 2014. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, and other postemployment benefit information listed in the table of contents beginning on page 1, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Omission of Information

Management has omitted tuition and fees within the *Schedule of Revenues, Expenditure/Expenses, and Changes in Fund Balances/Net Position – Budgetary Basis, Budget and Actual – Cash Funded and the Reconciling Schedule All Budget Fund Types to All GAAP Fund Types*, for higher education institutions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary 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 accompanying supplementary information: the combining and individual nonmajor fund financial statements, the schedule of capital assets, and the schedule of other funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

The transmittal letter, introductory section, statistical section, and graphical presentations 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a separate report 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
December 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. Fiscal Year 2012-13 balances have been restated to reflect the implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities for comparison to Fiscal Year 2013-14. It is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the attached financial statements and notes should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the State's governmental activities exceeded liabilities by $15,649.7 million, an increase in net position of $702.3 million as compared to the restated prior year amount of $14,947.4 million. Cash and restricted cash balances increased by $509.2 million primarily as a result of increased general-purpose tax revenue, resource extracting activity, and a variety of other activities in Other Special Revenue Funds. Taxes Receivable, net of refunds payable, also increased by $106.2 million while investments and restricted investments increased by $28.3 million. Capital assets, net of accumulated depreciation, increased by $48.5 million, primarily due to increases in infrastructure construction and public school construction offset by depreciation charges of $501.8 million.

Assets of the State's business-type activities exceeded liabilities by $7,289.8 million, an increase in net position of $631.6 million as compared to the restated prior year amount of $6,658.2 million. The overall increase was primarily the result of the following net position changes: an increase of $315.3 million in Higher Education Institutions, an increase of $186.8 million in Unemployment Insurance, and an increase of $130.2 million in Other Enterprises (primarily in the Transportation Enterprise). In total, net position of the State increased by $1,333.9 million to $22,939.5 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balance of $6,734.1 million (prior year $6,100.2 million). In total, governmental fund balances increased by $633.9 million from the prior year due to increases in the General Fund, Resource Extraction Fund, Capital Projects Fund, and Other Governmental Funds, which were partially offset by reductions in the State Education Fund and the Highway Users Tax Fund (HUTF). The General Fund increase of $135.9 million was due to improved general-purpose tax collections in the General Purpose Revenue Fund. The General Purpose Revenue Fund portion of the General Fund is required to maintain a reserve of five percent of General Purpose Revenue Fund appropriations on a legal basis; $249.2 million was available on a GAAP basis to partially fund the reserve for Fiscal Year 2013-14. The reserve is required to increase to 6.5 percent in the Fiscal Year 2014-15. The Resource Extraction Fund increased by $213.5 million due to increased cash related to severance taxes, mineral leasing, and fees. The HUTF decreased by $67.2 million with increases in expenditures outpacing increases in revenue. The Capital Projects Fund increased by $219.8 million due to additional funding from the General Purpose Revenue Fund. The State Education Fund decreased by $165.2 million due to significantly smaller transfers-in of $38.6 million from the State's general fund surplus as compared to $1,073.5 million in the prior year. The Other Governmental Funds increased by $296.9 million, largely due to activity in the Labor, Tobacco Impact Litigation, Resource Management, Unclaimed Property and Other Special Revenue funds.

Enterprise Fund assets exceeded liabilities resulting in total net position of $7,289.8 million (restated prior year $6,658.2 million), of which $4,901.4 million (prior year $4,536.7 million) was restricted or invested in capital assets, and the balance of $2,388.4 million (restated prior year $2,121.5 million) was unrestricted. The total increase of $631.6 million in Enterprise Fund net position was primarily due to an increase of $315.3 million in Higher Education Institutions, $186.8 million in the Unemployment Insurance Fund, and $130.2 million in Other Enterprises, primarily the Transportation Enterprises.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and Certificates of Participation at June 30, 2014, were $1,729.1 million (restated prior year $1,765.6 million), which is 21.0 percent (restated prior year 24.3 percent) of financial assets (cash, receivables, and investments) and 8.4 percent (prior year 9.1 percent) of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, State buildings, and public school buildings. The infrastructure debt is secured by future federal revenues and State highway revenues, State building debt by gaming distributions and judicial fees, and public school buildings debt by School Trust Land revenues. The State's Enterprise Funds have notes, bonds, and Certificates of Participation outstanding that total $4,375.6 million (restated prior year $4,044.2 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.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the State's ability to retain revenue in excess of the limit. Any excess must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the State to retain revenues in excess of the TABOR limit for Fiscal Years 2005-06 through 2009-10. The State did not have revenues in excess of the Referendum C Excess State Revenue Cap for Fiscal Year 2013-14, and although it did exceed the TABOR limit by $2,125.3 million, no refund was required because Referendum C replaced the TABOR limit with the Excess State Revenues Cap as the threshold for refunds. The $0.7 million TABOR Refund Liability shown on the financial statements is the residual amount of a Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2014. (See page 29 for more information on the TABOR requirements and Referendum C.)

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

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

Government-wide Statements

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

The *Statement of Net Position* shows the financial position of the State at the end of the fiscal year. Net position measures the difference between assets and deferred outflows and liabilities and deferred inflows. Restrictions reported in net position indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net position from year to year indicate the State is better off financially, while decreases in total net position indicate the State is worse off.

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

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

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the State is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 71.

Fund-Level Statements

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

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

therefore, these funds are not included in the government-wide statements. The State's fiduciary funds include Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

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

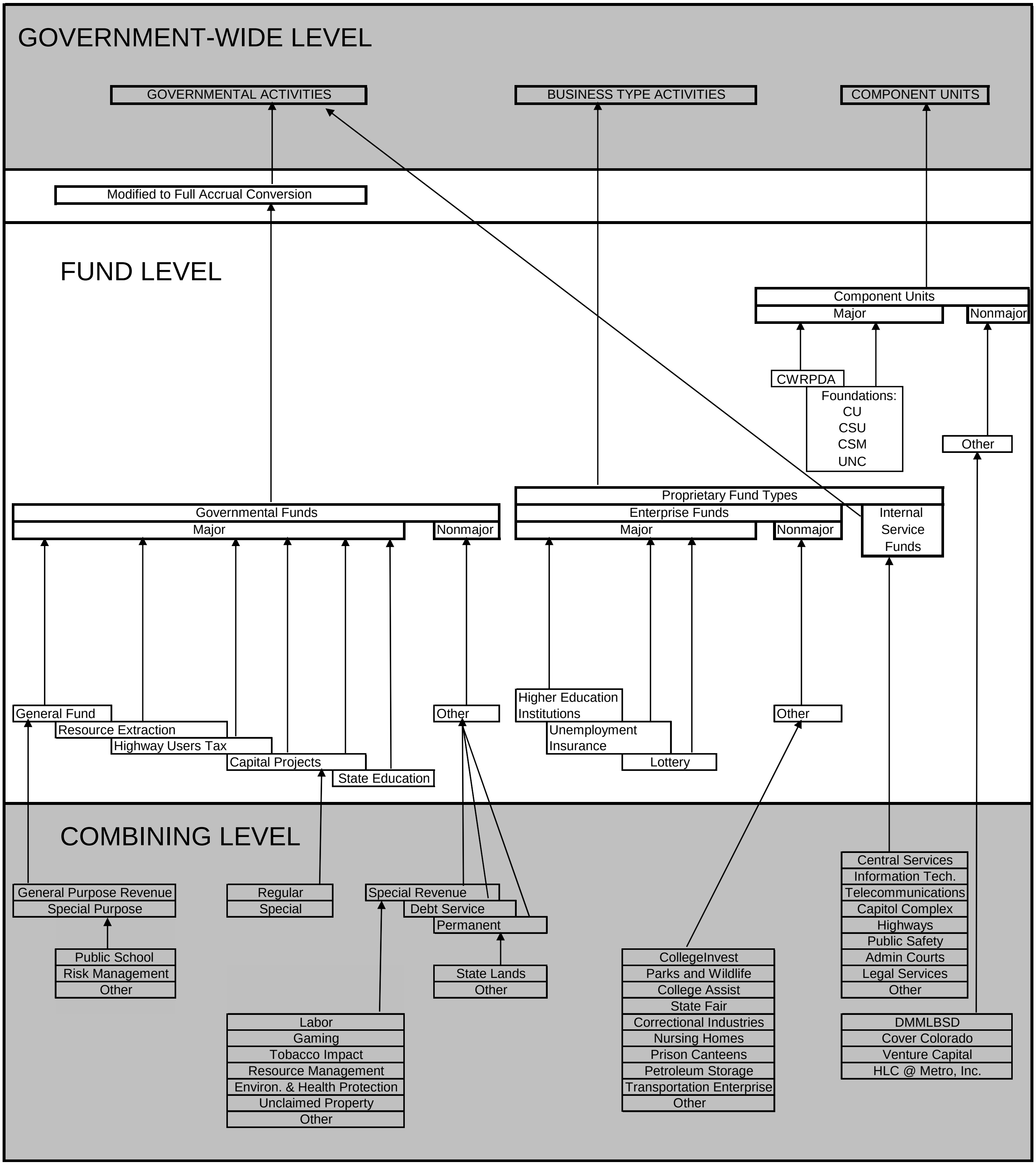
Notes to Basic Financial Statements

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

Required Supplementary Information (RSI)

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

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


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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013-14	2012-13 Restated	2013-14	2012-13 Restated	2013-14	2012-13 Restated
Noncapital Assets	$ 9,047,255	$ 8,134,005	$ 6,066,266	$ 5,731,940	$ 15,113,521	$ 13,865,945
Capital Assets	11,532,255	11,483,728	7,246,840	6,692,826	18,779,095	18,176,554
Total Assets	20,579,510	19,617,733	13,313,106	12,424,766	33,892,616	32,042,499
Deferred Outflow of Resources	18,289	19,975	118,103	88,453	136,392	108,428
Current Liabilities	2,407,790	2,022,074	1,446,884	1,359,106	3,854,674	3,381,180
Noncurrent Liabilities	2,539,956	2,668,200	4,694,527	4,495,878	7,234,483	7,164,078
Total Liabilities	4,947,746	4,690,274	6,141,411	5,854,984	11,089,157	10,545,258
Deferred Inflow of Resources	338	-	-	-	338	-
Net Investment in Capital Assets	10,125,644	10,107,082	3,653,265	3,571,408	13,778,909	13,678,490
Restricted	3,554,380	3,656,639	1,248,152	965,311	4,802,532	4,621,950
Unrestricted	1,969,691	1,183,713	2,388,381	2,121,516	4,358,072	3,305,229
Total Net Position	$ 15,649,715	$ 14,947,434	$ 7,289,798	$ 6,658,235	$ 22,939,513	$ 21,605,669

The amount of total net position is one measure of the health of the State's finances, and the State reports significant positive balances in all categories of net position. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the State.

Capital assets, net of related debt and deferred outflows, account for $13.8 billion or 60.1 percent of the State's total net position, which represents an increase of $100.4 million from the prior year; capital assets increased in both business-type activities and governmental activities. The increase of $18.6 million in the net investment in governmental capital assets was attributable to transportation projects, public school construction, and office consolidation in the Department of Agriculture offset to a large degree by depreciation charges of $501.8 million on bridge and roadway infrastructure. The current year capital net investment increase in of $81.9 million in business-type activities was primarily attributable to Higher Education Institutions and the Other Enterprise Funds. The addition of capital assets in Other Enterprises (primarily the Transportation Enterprise) from non-financed sources of $103.8 million was offset by a reduction in Higher Education Institutions resulting from an increase in financed capital acquisition. It should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $4,802.5 million or 20.9 percent of net position, which represents an increase of $180.6 million over the prior year. In general, these restrictions dictate how the related assets must be used by the State, and therefore, the amount may not be available for the general use of the State's programs. The constitutionally mandated State Education Fund fund balance, the Highway Users Tax Fund fund balance, and resources pledged to debt service are examples of restrictions on the State's net position. Governmental activities Restricted Net Position decreased by $102.3 primarily related to the required transfer of the excess general fund surplus of $38.6 million to the State Education Fund, while business-type activities increased by $282.8 million.

The Unrestricted Net Position of $4,358.1 million represents 19.0 percent of total net position and is the amount by which total assets and deferred outflows exceed total liabilities and deferred inflows after all restrictions and capital asset exclusions are considered. This represents an increase of $1,052.8 million from the prior fiscal year. The governmental activities unrestricted net position increased by $786.0 million and business-type activities increased by $266.9 million. The largest portion of unrestricted net position is reported in Special Revenue Funds; however, legislative action is generally required to make the Special Revenue Fund resources available for State programs other than the program for which the revenue was collected.

Another important measure of the State's financial health is the change in net position from the prior year. The following condensed statement of activities shows, without regard to prior period adjustments, that the governmental activities, expenses and transfers-out were less than revenues and transfers-in resulting in net position increasing by $700.6 million. Program revenue of the governmental activities increased by $913.7 million (10.7 percent) related to increasing charges for services and capital grants and contributions. General-purpose revenues increased by $570.9 million (5.6 percent) primarily due to increased tax collections and accruals of taxes receivable. Expenses, without regard to prior period adjustments, increased by $1,512.5 million (8.5 percent) from the prior year in alignment with increased program and general purpose revenue increases. The following table was derived from the current and prior year government-wide *Statement of Activities*.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Program Revenues:						
Charges for Services	$ 1,913,770	$ 1,950,925	$ 5,437,170	$ 5,185,664	$ 7,350,940	$ 7,136,589
Operating Grants and Contributions	6,782,914	5,860,052	2,569,038	2,730,519	9,351,952	8,590,571
Capital Grants and Contributions	728,544	700,548	56,899	96,655	785,443	797,203
General Revenues:						
Taxes	9,494,986	8,953,713	-	-	9,494,986	8,953,713
Restricted Taxes	1,052,692	1,039,105	-	-	1,052,692	1,039,105
Unrestricted Investment Earnings	17,312	16,842	-	-	17,312	16,842
Other General Revenues	112,958	97,402	-	-	112,958	97,402
Total Revenues	20,103,176	18,618,587	8,063,107	8,012,838	28,166,283	26,631,425
Expenses:						
General Government	447,359	555,507	-	-	447,359	555,507
Business, Community, and Consumer Affairs	641,182	584,300	-	-	641,182	584,300
Education	5,472,563	5,187,481	-	-	5,472,563	5,187,481
Health and Rehabilitation	720,997	697,795	-	-	720,997	697,795
Justice	1,840,989	1,655,057	-	-	1,840,989	1,655,057
Natural Resources	92,383	77,934	-	-	92,383	77,934
Social Assistance	8,089,560	7,174,711	-	-	8,089,560	7,174,711
Transportation	1,872,441	1,769,013	-	-	1,872,441	1,769,013
Interest on Debt	53,094	16,284	-	-	53,094	16,284
Higher Education Institutions	-	-	5,618,507	5,258,665	5,618,507	5,258,665
Unemployment Insurance	-	-	756,484	1,055,148	756,484	1,055,148
Lottery	-	-	477,434	501,010	477,434	501,010
Parks and Wildlife	-	-	170,898	177,497	170,898	177,497
College Assist	-	-	341,684	407,229	341,684	407,229
Other Business-Type Activities	-	-	209,871	187,265	209,871	187,265
Total Expenses	19,230,568	17,718,082	7,574,878	7,586,814	26,805,446	25,304,896
Excess (Deficiency) Before Contributions, Transfers, and Other Items	872,608	900,505	488,229	426,024	1,360,837	1,326,529
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(172,442)	(128,535)	172,442	128,535	-	-
Permanent Fund Additions	397	741	-	-	397	741
Special Item	-	-	(22,186)	-	(22,186)	-
Total Contributions, Transfers, and Other Items	(172,045)	(127,794)	150,256	128,535	(21,789)	741
Total Changes in Net Position	700,563	772,711	638,485	554,559	1,339,048	1,327,270
Net Position - Beginning	14,947,434	14,179,064	6,658,235	6,139,998	21,605,669	20,319,062
Prior Period Adjustment	1,718	6,956	(6,922)	(5,851)	(5,204)	1,105
Restatement for Accounting Changes	-	(11,297)	-	(30,471)	-	(41,768)
Net Position - Ending	$15,649,715	$ 14,947,434	$ 7,289,798	$ 6,658,235	$22,939,513	$21,605,669

Business-type activities' revenues and net transfers-in in the preceding table exceeded expenses by $638.5 million resulting in an increase in net position. From the prior year to the current year, program revenue of the business-type activities increased by $50.3 million (0.6 percent) and expenses decreased by $11.9 million. Operating Grants and Contributions declined by $161.5 million primarily in Unemployment Insurance followed by Higher Education Institutions. The decrease in Operating Grants and Contributions was partially offset by $251.5 million in increased Charges for Services, primarily in Higher Education Institutions. The decrease in expenses is primarily attributable to a 28.3 percent decrease in Unemployment Insurance benefits paid, that more than offset increases in all of the other business-type activities, including the largest increase in the Higher Education Institutions.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

Fiscal Year 2013-14 is the twenty first year of State operations under Article X, Section 20 of the State Constitution revenue limitations, which is also known as TABOR. With certain exceptions, the rate of growth of State revenues is limited to the combination of the percentage change in the State's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include revenues from federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the State to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, which was referred to the ballot by the Legislature. Referendum C authorized the State to retain all revenues in excess of the TABOR limit for the five-year period from Fiscal Year 2005-06 through Fiscal Year 2009-10. Referendum C had additional provisions and effects that are discussed below.

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

The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations have historically been significant factors in the changing fiscal status of the State's General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the TABOR limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and expended from the General Fund Exempt Account created in the General Fund by Referendum C.

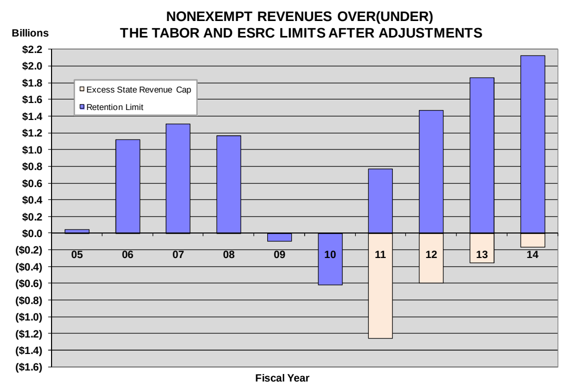
In years when Referendum C was not in effect, the State's ability to retain revenues was also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the State's ability to retain current and future revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the State to retain and spend any amount in excess of the TABOR limit.

In the first three years of operations under TABOR, the State did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, State revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The State was required to refund $41.1 million in Fiscal Year 2004-05. At the end of Fiscal Year 2013-14, these amounts totaled to required refunds of $3,291.2 million since TABOR's inception. At June 30 of each applicable fiscal year, the State recorded a liability on the General Fund Balance Sheet, and the amounts were refunded in subsequent years except for the $0.7 million amount currently shown in the financial statements.

After the Referendum C five-year excess revenue retention period that encompassed Fiscal Year 2005-06 through Fiscal Year 2009-10, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the TABOR retention limit continues to apply, but the ESRC replaces it as the limit that triggers taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year excess revenue retention period; the highest adjusted TABOR revenue occurred in Fiscal Year 2007-08, and the ratchet down provision does not apply to the ESRC. For Fiscal Year 2013-14, unaudited State revenues subject to

TABOR were $11,691.9 million, which was $160.5 million under the ESRC, and $2,125.3 million over the retention limit. Absent Referendum C, the State would have been required to refund the amount exceeding the retention limit.

During the Fiscal Year 2013-14, the Colorado Geological Survey which was relocated from the Department of Natural Resources to the Colorado School of Mines in Fiscal Year 2012-13 has a decrease of $121,424 of newly disqualified partial-year revenues recorded by the Department of Natural Resource. The Colorado Geological Survey was formerly nonexempt TABOR activity, but became TABOR enterprise activity as the Colorado School of Mines is part of the Higher Education Institution TABOR enterprise. Also during Fiscal Year 2013-14, Adams State University disqualified as a TABOR enterprise which resulted in an increase of $14,110,760 of newly qualified revenue. As required by TABOR, the State Controller makes the qualification of new enterprises and disqualification of existing TABOR enterprises neutral in the excess revenue calculation. In Fiscal Year 2013-14, the TABOR limit was decreased by total of $14.0 million related to these changes in the TABOR district.



Referendum C

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

- The State shall be authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.
- After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.
- A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each fiscal year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is limited to five percent of personal income, with certain adjustments.
- The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.
- The State retained $3,593.6 million during the five-year refund time-out authorized by Referendum C, and $6,228.6 million from Fiscal Year 2010-11 through 2013-14 due to the increasing ESRC as compared to TABOR limit, for a total of $9,822.2 million of retained Referendum C revenue.

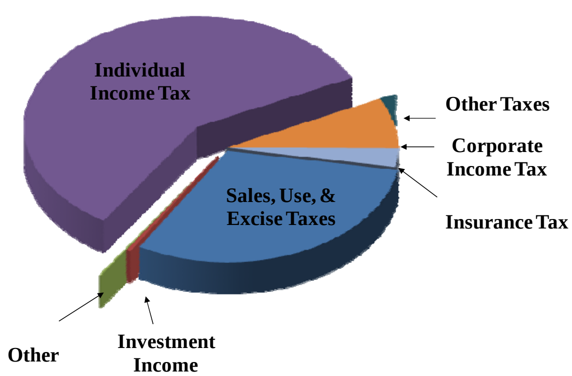
The amount of revenues in excess of the limit cannot be known for certain until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. Currently, the Colorado economic recovery continues to expand, but the State's revenues are expected to exceed the ESRC cap during Fiscal Year 2013-14. The Legislative Council and the Governor's economic forecast projects nonexempt revenue in excess of the ESRC starting in Fiscal Year 2015-16.

INDIVIDUAL FUND ANALYSIS

General Fund

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

GENERAL-PURPOSE REVENUES BY SOURCE



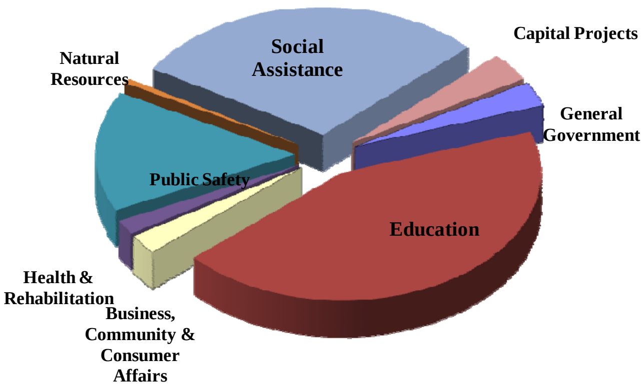
The ending total fund balance of the General Fund, as measured by generally accepted accounting principles (GAAP), was $935.0 million, $307.3 million of which was attributable to the General Purpose Revenue Fund, including nonspendable, restricted, committed, assigned, and unassigned amounts. The General Purpose Revenue Fund increased by $53.8 million from the prior year. In Fiscal Year 2013-14, the State was able to fund the General Fund Statutory Reserve of $410.9 million on a budget basis, but was only able to reserve $249.2 million on a GAAP basis. After the partial statutory reserve the General Purpose Revenue Fund Unassigned Fund Balance was eliminated, which was similar to the prior year. The shortfall of $161.7 million in meeting the reserve on a GAAP basis was slightly more than the $156.9 million shortfall in the prior year; however, the reserve requirement also increased by $37.9 million. The General Purpose Revenue Fund's $264.6 million year-end unrestricted cash balance decreased by $795.3 million from the prior year primarily due to the Fiscal Year 2012-13 general fund surplus distribution of $1,073.5 million to the State Education Fund in December of 2013.

General-purpose revenues for Fiscal Years 2013-14 and 2012-13 were $8,989.5 million (see page 162) and $8,554.8 million, respectively – an increase of $434.7 million or 5.1 percent. The largest contributor to general-purpose revenue growth was in sales, use and excise tax which increased by $212.9 million or 8.4 percent over the prior year primarily due to improving economic conditions and an active housing market. Individual income taxes increased by $123.9 million, with the majority of the change attributable to a 5.7 percent increase in withholding that was partially offset by an 8.6 percent decline in estimated taxes. Generally, withholding increases were due to rising wages, while the decline in estimated taxes was attributable to federal tax increases on capital gains that took effect in tax year 2013 suppressing activity. Corporate income taxes increased $67.9 million or 11.4 percent due to a growing economy.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2013-14 and 2012-13 were $8,463.7 million (see page 162) and $7,828.5 million, respectively. For Fiscal Year 2013-14, the total annual increase in general-funded appropriations was limited to five percent of personal income with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the State, and most transfers not appropriated by department. The limit is controlled through the legislative budget process.

The Special Purpose portion of the General Fund fund balance totaled $627.7 million in Fiscal Year 2013-14. This comprises Risk Management activities, the Public School Fund and Other Special Purpose Funds.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES

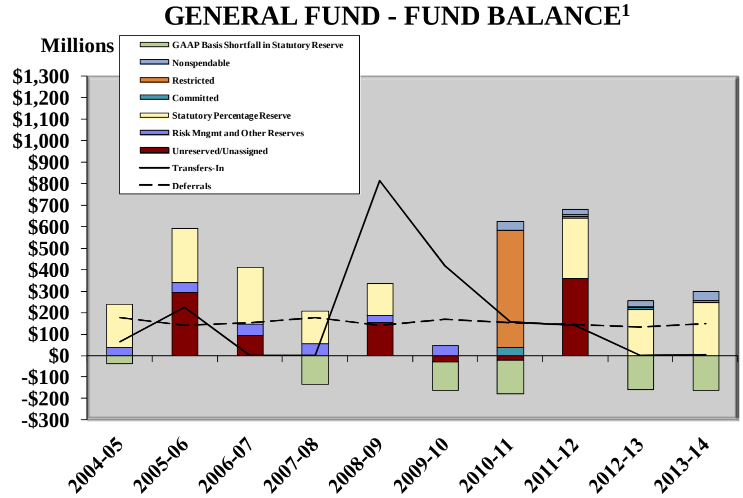


With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 77.6 percent of all Fiscal Year 2013-14 general-funded expenditures, similar to the prior year. The largest increases were in the Departments Health Care Policy and Financing, Education, Treasury, and Public Safety. The Department of Health Care Policy and Financing's expenditures increased by $271.0 million, or 14.8 percent, due to eligibility and funding changes that occurred with the national Medicaid modernization efforts. The Department of Education's expenditures increased by $138.9 million, or 4.6 percent, due to increased enrollment, required annual increases in funding, and provisions of the School Finance Act. The State Treasury's expenditures increased by $81.2 million, or 293.7 percent, primarily as the result of an appropriation of $101.0 million for allocation to the Controlled Maintenance Trust Fund, some of which provided aid for recovery efforts to restore damage from the September 2013 flooding. Finally, the Department of Public Safety's expenditures increased by $79.6 million, or 93.0 percent, the majority relating to the appropriation of $70.0 million for allocation to the Disaster Emergency Fund. There were no significant decreases in departmental expenditures.

As required by Senate Bills 03-196 and 03-197, the State converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. House Bill 09-1367 also deferred certain Office of Information Technology (OIT) expenditures into the subsequent year. These changes result in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2013-14, the State met the statutory required reserve on a budgetary basis but not a GAAP basis. The statutorily required process of deferring expenditures moved $94.0 million of payroll, $144.1 million of Medicaid, and $1.0 million of OIT expenditures into Fiscal Year 2014-15. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $90.7 million. In total, $16.7 million more was deferred into Fiscal Year 2014-15 than into Fiscal Year 2013-14. Although Medicaid expenditures and caseloads continue to increase, the Medicaid related deferral declined due to increased drug rebate credits that offset Medicaid expenditures. Transfers-in were negligible as compared to the prior year.

The chart shows the changes in the major classifications of fund balance in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes in effect for Fiscal Year 2012-13 require a five percent fund balance reserve of $410.9 million. Statutory compliance was achieved on budgetary basis, but not on a GAAP basis by $161.7 million. On a budgetary basis there were deferrals of $148.4 million of payroll, Medicaid, and other costs into Fiscal Year 2014-15. The deferrals and transfers-in have prevented shortfalls in the budget basis statutory reserve in each year except Fiscal Years 2005-06, 2006-07, 2008-09, and 2011-12 when adequate resources were available for a positive budgetary reserve without the deferral.

GENERAL FUND - FUND BALANCE[1]



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

Resource Extraction Fund

The Resource Extraction Fund fund balance increased by $213.5 million (21.6 percent) from the prior year. Cash is collected from severance taxes, mineral leasing, and fees associated with regulation of mining activities increased by $206.7 million as compared to the prior year. Expenditures include distributions to local governments, regulatory costs, and construction loans made to local governments and special districts to enhance the use of water resources of the State. A significant portion $384.4 million, of the fund's fund balance of $1,203.3 million comprises long-term loans receivables related to the financing of local government water projects by the Water Projects Fund. The balance of the loans receivable did not change significantly from the prior year.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $67.2 million (5.6 percent) from the prior year largely due to expenditures increases at a faster pace than revenue increases. Legislation in response to the economic downturn has permanently eliminated General Purpose Revenue Fund Surplus diversions to HUTF and also terminated the diversion of sales and use tax from the General Fund to the Highway Fund, which is expected to resume in Fiscal Year 2015-16.

The HUTF shows a fund balance of $1,130.4 million. This amount includes $1,218.9 million in encumbrances for multi-year construction projects. The majority of the fund balance, $1,080.2 million, is constitutionally restricted for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance increased by $219.8 million (405.7 percent) from the prior fiscal year due to increased funding from the General Purpose Revenue Fund. This includes $135.3 million from an allocation of a portion of the general fund surplus as of the end of Fiscal Year 2013-14. Fund expenditures of $194.8 million ($88.2 million in Fiscal Year 2012-13) were primarily related to projects appropriated in previous years. The Capital Projects Fund reported fund balance restrictions of $3.3 million, or 1.2 percent of total fund balance, related to residual certificates of participation and HUTF funding.

State Education Fund

The State Education Fund fund balance decreased by $165.2 million (13.1 percent) during Fiscal Year 2013-14. The majority of the revenues in the fund are generally derived from a fixed percentage of certain taxpayer tax liabilities, which totaled $478.8 million representing a decrease of $7.5 million as compared to the prior year; a decline in income and fiduciary taxes of $24.0 million and an increase in corporate taxes of $16.5 million. Cash of $1,073.5 million was transferred to the State Education Fund in December of 2013 as a result of legislation diverting the entire Fiscal Year 2012-13 general fund surplus to the State Education Fund. An additional $38.6 million was accrued to the fund at the end of Fiscal Year 2013-14 representing a portion of the general fund surplus balance. Expenditures of the fund are limited by a constitutional amendment to certain educational programs meeting growth requirements in other programs. Expenditures in the fund totaled $714.2 million and $490.5 million in Fiscal Year 2013-14 and 2012-13, respectively.

Higher Education Institutions

The net position of the Higher Education Institutions increased by $315.3 million (6.0 percent). The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net position increase. However, it can be noted that tuition and fees of the institutions increased by $114.5 million, sales of goods and services increased by $154.6 million, federal revenues decreased by $22.0 million, and Other Operating revenues increased by $31.8 million. In addition, investment income (including an increase in fair value of investments) increased by $115.0 million. Overall, revenues increased by 7.6 percent and expenses increased by 6.8 percent. The State made capital contributions of $90.6 million and $95.7 million in Fiscal Years 2013-14 and 2012-13, respectively, that were funded by the Capital Projects Fund and transferred $206.0 million ($194.2 million in Fiscal Year 2012-13) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training.

Unemployment Insurance

The net position of the Unemployment Insurance Fund (UI) increased by $186.8 million (86.4 percent). Unemployment benefits paid decreased by $298.5 million, or 28.5 percent, after decreasing $511.8 million in the prior year. The reduced benefits paid were caused by a reduction of $271.5 million in federal grants. Unemployment insurance premiums collected decreased by $11.1 million over the prior year. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. Statutes were amended in the 2012 special legislative session allowing UI to issue bonds, through the Colorado Housing and Finance Authority, to stabilize insurance premium taxes, which will be funded by special assessments on employers. Bonds were issued as represented by the $376.1 million of the fund's liabilities. The fund's cash balance was $627.9 million, as compared to $580.9 million in the prior year.

State Lottery

The Lottery produced operating income of $129.3 million ($134.8 million in Fiscal Year 2012-13) on sales of $545.0 million ($575.2 million in Fiscal Year 2012-13). The change represents a 4.1 percent decrease in operating income. The Lottery distributed $60.3 million ($59.2 million in Fiscal Year 2012-13) to the Great Outdoors Colorado program, a related organization, and transferred $70.3 million ($77.0 million in Fiscal Year 2012-13) to other State funds; $13.0 million primarily to fund operations of the State's Division of Parks and Recreation and $52.0 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery's net position is minimal and changes nominally from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 162. 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.

- Department of Corrections
  - $8.6 million for payments in the House State Prisoners Program,
  - $7.5 million in the Institution program, which primarily includes $2.0 million for purchase of medical services from other medical facilities, and $3.8 million for catastrophic medical expenses, and
  - $1.1 million in operating costs.
- Department of Education
  - $51.6 million for public school financing of the state share of districts total program funding, and
  - $45.3 million for transfer to the State Education Fund from the General Fund.
- Department of Human Services
  - $14.9 million for the Crisis Response System – a crisis stabilization unit, mobile crisis response, respite services, marketing, and a telephone hotline,
  - $3.2 million for the Adult Protective Service Program
  - $3.0 million for additional grants to improve the quality and availability of child care and to comply with federal targeted funds requirements,
  - $2.4 million for the Transitional Jobs Program, and
  - $2.0 million decrease for senior services refinanced with cash funds.
- Department of Personnel & Administration
  - $18.2 million for additional payments to claimants for outstanding claims arising from the Lower North Fork Fire, and

- $6.9 million for additional risk management payments related to the Lower North Fork Fire from the recommendations made by the State Claims Board pursuant to C.R.S. 24-10-114 (5) (b).

- Department of Public Health and Environment
  - $15.0 million for the clean water program in Water Quality Control division, and
  - $1.5 million decrease transferring the Tony Grampsas Youth Services Program to Department of Human Services.

- Department of Public Safety
  - $70.0 million for transfer to the Disaster Emergency Fund,
  - $1.4 million for crime control and system improvement programs, and
  - $6.7 million for Colorado Bureau of Investigation laboratory and investigative services.

- Department of Revenue
  - $105.0 million statutory increases for transfers from the General Fund to Department of Human Services to fund the Old Age Pension program, and
  - $2.0 million transfer to the older Coloradan's cash fund pursuant to Senate Bill 13-127.

- Department of Treasury
  - $101.0 million for transfer to the Controlled Maintenance Trust Fund from the General Fund, and
  - $26.7 million in various other transfers to cash funds.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $36.2 million for Fiscal Year 2013-14 including deficit fund balances that are considered overexpenditures. General-funded overexpenditures are discussed in detail in Note 8A on page 84 at the individual line item appropriation level. In total, State departments reported general-funded appropriations negative reversions of $7.4 million; the reversion would have been $13.3 million if not for a $20.7 million negative reversion related to the Old Age Pension program at the Department of Revenue. The Department of Revenue negative reversion is not considered an overexpenditure because the Old Age Pension program is continuously appropriated in statute and the negative reversion is shown primarily to inform the General Assembly of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $9.9 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $9.7 million (1.4 percent) primarily comprising:
  - $5.9 million in the Medical Services Subprogram line item due to Senate Bill 13-200 "Medicaid Expansion" based on estimates at the time of the passage of this bill,
  - $2.3 million in the Mental Health Subprogram line item due to the lack of interest. The department was not able to hire and retain staff and to find vendors willing to work on the program because private sector pays a higher rate, and
  - $0.6 million in the Executive Director's Office operating line due to reduced payments to district attorneys. There were various other small reversions for institutional contract services, community services, and administration.

- Department of Human Services – The department reverted $12.4 million (1.7 percent) primarily comprising:
  - $9.5 million in the Child Welfare program line due to reductions in congregate care expenditures and conservative spending during the first half of the year by counties,
  - $0.6 million in other grant programs,
  - $0.5 million in the Co-Occurring Behavior Health Services program, and

- $0.5 million reduction in Adult Protective Services and various smaller reductions in the Child Support Enforcement program, the Community Services for Elderly program, in Electronic Benefit Transfer services, in the Community program, and in the Mental Health Institutes.

- Judicial Department - The department reverted $2.7 million (0.7 percent) comprising:
  - $2.1 million in the Office of Public Defender, and
  - $0.6 million related to the District Attorneys' Mandated costs line.

- Department of Public Safety - The department reverted $3.2 million (2.0 percent) comprising:
  - $2.3 million in the Community Corrections program line primarily attributable to under utilization of beds for inmates in community correction facilities. Funds are budgeted at assumed daily rates and average caseloads and actual expenditures. Various smaller programs account for the remainder of the reversion.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The State's investment in capital assets at June 30, 2014, was $13.8 billion ($13.7 billion in Fiscal Year 2012-13). Included in this amount were $15.5 billion of depreciable capital assets after reduction for $9.0 billion of accumulated depreciation. Also included was $3.3 billion of land, construction in progress, and nondepreciable infrastructure and other assets. The State added $1,719.6 million and $1,561.6 million of capital assets in Fiscal Year 2013-14 and 2012-13, respectively. Of the Fiscal Year 2013-14 additions, $751.2 million was recorded by governmental funds and $968.4 million was recorded by business-type activities. General-purpose revenues funded $186.7 million of capital and controlled maintenance expenditures during Fiscal Year 2013-14 and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table on the next page 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, 2014 and 2013, were (see Note 17 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 97	$ 93	$ 524	$ 517	$ 621	$ 610
Collections	11	11	23	22	34	33
Other Capital Assets	7	-	-		7	33
Construction in Progress	882	1,145	809	681	1,691	1,826
Infrastructure	935	921	14	9	949	930
Total Capital Assets Not Being Depreciated	1,932	2,170	1,370	1,229	3,302	3,399
Capital Assets Being Depreciated						
Buildings and Related Improvements	2,700	2,167	7,943	7,502	10,643	9,669
Software	250	245	195	178	445	423
Vehicles and Equipment	791	715	977	921	1,768	1,636
Library Books, Collections, and Other Capital Assets	45	44	537	522	582	566
Infrastructure	10,676	1,406	389	161	11,065	10,567
Total Capital Assets Being Depreciated	14,462	13,577	10,041	9,284	24,503	22,861
Accumulated Depreciation	(4,862)	(4,264)	(4,164)	(3,820)	(9,026)	(8,084)
Total	$ 11,532	$ 11,483	$ 7,247	$ 6,693	$ 18,779	$ 18,176

The State's major commitments for capital expenditures are reported in the attached financial statements as restricted or committed fund balances. At June 30, 2014, the State had commitments of $60.1 million in the Capital Projects Fund ($24.6 million in Fiscal Year 2012-13) and $1,218.9 million in the Highway Users Tax Fund ($1,073.4 million in Fiscal Year 2012-13). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are generally not subject to appropriation.

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

Fiscal Year 2013-14
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 175.0	$ 30.1	$ 443.9	$ 33.1	$ 1,267.9	$ 780.9	$ 1,886.8	$ 844.1
Business-Type Activities	42.2	8.2	3,967.0	2,575.6	403.8	154.4	4,413.0	2,738.2
Total	$ 217.2	$ 38.3	$ 4,410.9	$ 2,608.7	$ 1,671.7	$ 935.3	$ 6,299.8	$ 3,582.3

Fiscal Year 2012-13 Restated
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 151.0	$ 30.2	$ 554.8	$ 59.3	$ 1,191.5	$ 765.5	$ 1,897.3	$ 855.0
Business-Type Activities	41.7	8.8	3,658.5	2,435.4	382.2	173.7	$ 4,082.4	$ 2,617.9
Total	$ 192.7	$ 39.0	$ 4,213.3	$ 2,494.7	$ 1,573.7	$ 939.2	$ 5,979.7	$ 3,472.9

In Fiscal Year 2013-14, the total principal amount of capital leases, revenue bonds, and COPs was 41.7 percent of assets other than capital assets, as compared to 43.1 percent as restated in the prior year. This percentage declined because noncapital assets increased 8.7 percent while the principal amount of capital leases, revenue bonds, and COPs increased a lesser pace of 5.4 percent. Governmental activities in total did not change significantly; however the increase related to several financed construction projects for local schools under the Build Excellent Schools Today (BEST) program ($89.6 million) and the acquisition of facilities by the Department of Agriculture ($7.1 million) was offset by principal payments on the Department of Transportation's Transportation Revenue Anticipation Notes ($143.2 million). Business-type activities increased primarily due to the increased financing of capital projects by Higher Education Institutions. Total per capita borrowing including bonds, Certificates of Participation, mortgages, notes, and capital leases was $1,200, $1,159, $1,180, $1,000, and $1,022 per person in Fiscal Years 2013-14, 2012-13, 2011-12, 2010-11, and 2009-10, respectively.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the State that were included in the Fiscal Year 2012-13 Management Discussion and Analysis continue to affect the State at the end of Fiscal Year 2013-14, as follows:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the State to retain all revenues in excess of the TABOR limit for a five-year period from Fiscal Year 2005-06 through 2009-10. During that period, the State retained $3,593.6 million that it would otherwise have been required to refund to State taxpayers. No amounts were retained in Fiscal Years 2008-09 or 2009-10. Referendum C created an Excess State Revenue Cap (ESRC) that increases each year for inflation and population growth and allows the State to retain and spend amounts above the TABOR limit and below the ESRC. This provision removes the effect of the TABOR ratchet down provision (discussed earlier in this MDA). However, economic recovery and State revenue growth rates in excess of the population and inflation adjustment could result in future refunds of TABOR revenues in excess of the new ESRC. In Fiscal Year 2013-14, the State was $160.5 million under the ESRC, but absent Referendum C, would have been required to refund $2,125.3 million per the TABOR limit due to its ratchet down provision. Both the Legislative Council economist and the Governor's Office of State Planning and Budgeting economist project that under current law there will be a TABOR refund in Fiscal Year 2015-16.

- Pension Plan Contributions

  - Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 was partially offset by positive returns in subsequent years, most recently 12.9 percent and 15.6 percent in 2012 and 2013, respectively. These investment returns caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent at December 31, 2007 to 57.5 percent at December 31, 2013. In 2000, when the State Division and the School Division were reported as a single division, the combined division had a funding ratio of 104.7 percent. At December 31, 2013, the amortization period for the plan was 60 years, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will be fully funded by December 31, 2073. Based on the 2012 and 2013 valuations, PERA's actuary estimated that the State's prospective employer contribution rate would need to be 20.45 percent, and 22.35 percent respectively, to achieve the 30-year amortization period required by the Governmental Accounting Standards Board.

  - In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that adds three percentage points to the annual contribution (from amounts otherwise available for employee salary increases) in addition to the three percentage points required by the Amortization Equalization Disbursement (AED), which was approved in the 2004 session. In the 2010 legislative session, the General Assembly extended the increases required by the AED and SAED. The AED will continue to increase 0.4 percentage points from calendar years 2013 through 2017. The SAED will continue to increase one-half percentage point from calendar years 2014 through 2017. These legislative changes increase the employer's annual contribution for most employees from 17.45 percent in 2014 to 20.15 percent in 2017 and beyond. If the funding ratio of the plan reaches 103 percent, both the AED and SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent of salary.

  - To provide budgetary relief for the State, Senate Bill 10-146 required that beginning July 1, 2010, members contribute an additional 2.5 percent of salary to their member accounts and the employer contribution rate be reduced to 11.35 percent. In the 2011 legislative session, Senate Bill 11-076 continued the 2.5 percent swap an additional year through June 30, 2012. This legislation sunset as of June 30, 2012.

  - Senate Bill 10-001 made significant changes to the plan provisions that will affect the State over the long-term by improving the funded status of the plan. The most significant changes affecting the State

Division of the plan include reducing the former 3.5 percent annual increase for retiree benefits to the lesser of the consumer price index or 2.0 percent, changing the timing of the annual increase, and making the annual increase contingent on the plan's funded status; extending the AED and SAED as discussed above; requiring future early retirement adjustments to be actuarially neutral; limiting annual increases in the highest average salary calculation for future retirees to 8.0 percent; removing the indexing of benefits for future retirees who become inactive with more than 25 years of service; changing the vesting period required for employer matching contributions; increasing the combined age and years of service requirement for current nonvested employees to 85, to 88 for new hires on or after January 1, 2011, to 90 for new hires on or after January 1, 2017, and increasing the related minimum retirement age; and requiring retirees returning to work for a PERA employer to pay member contributions that are not refundable and that do not increase service credits. Some of the changes authorized by Senate Bill 10-001 were the subject of a class action lawsuit naming the Governor and certain PERA Board members in claiming the changes are unconstitutional and seeking a mandatory injunction requiring payment of the annual increase in effect before the passage of Senate Bill 10-001. On October 20, 2014, after several proceedings, the Colorado Supreme Court ruled in favor of PERA.

- On November 15, 2013, the PERA Board of Trustees completed its annual review of the economic actuarial assumptions including the long-term expected investments rate of return and the long-term inflation and wage inflation expectations. Using state-of-the-art methodology, and having heard from multiple independent consultants, the Board chose to modify the long-term inflation expectations to 2.8 percent from 3.5 percent and to reduce the long-term investment return assumption to 7.5 percent from 8.0 percent.
- As of Fiscal Year 2014-15, with the implementation of Governmental Accounting Standards Board Statement No. 68, the State of Colorado will be required to report a pension liability for any shortage between the statutorily required contribution and the actuarial unfunded liability. As of December 31, 2013, PERA reports that the State Division, to which the State of Colorado belongs, has an unfunded accrued actuarial liability of $8.9 billion. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of State revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C in 2000 and the deterioration of general-funded revenues during Fiscal Years 2008-09 and 2009-10, and the implementation of the Excess State Revenue Cap in Fiscal Year 2010-11, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. For Fiscal Year 2013-14, $750.0 million was budgeted from the State Education Fund. Revenues included $45.3 million in direct transfers in from the General Fund, the accrual of $38.6 million to the fund as a general fund surplus distribution, and exempted portion of revenues collected under Amendment 23. The amendment requires the General Assembly to increase funding of education by one percent over inflation through Fiscal Year 2010-11 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when State revenues decline with the business cycle. Notwithstanding these expenditure increases, the State continues to face legal challenges that assert the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.
- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Children's' Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift beginning in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Purpose Revenue Fund. Each of these items causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the State does not use full or modified accrual

accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($148.4 million net of related deferred revenue in Fiscal Year 2013-14) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. In Fiscal Year 2011-12, legislation was passed to eliminate the deferral of June paydates until July for employees paid on a biweekly basis beginning in Fiscal Year 2012-13. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the State's credit rating. It will be difficult for the State to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Purpose Revenue Fund shows a cash balance of $264.6 million at June 30, 2014, providing apparent liquidity. Although there were increased tax collections in Fiscal Year 2013-14 and improved liquidity over the prior year, the General Purpose Revenue Fund increasingly comprises tax receivables of $1,380.7 million net of tax refunds payable ($705.8 million) and deferred inflows ($213.6 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. If the State's economy turns down again, 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 General Purpose Revenue Fund fund balance. The General Fund legally has access to short-term borrowing from the cash balances of other funds. However, those transfers become increasingly difficult as accessible cash fund balances are depleted from transfers in prior years.

- Debt Service

  - Principal and interest payments on the remaining $443.9 million of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $154.5 million per year over the next three years. While a portion of the debt service will be funded by federal funds, a significant amount will be funded by State sources. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, and legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10.

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

  - In previous years, the State entered into lease purchase agreements for all or a portion of various construction projects including the Ralph L. Carr Justice Center, the Colorado History Center, a prison, a hospital building, a number of school buildings in local school districts, and the office consolidation at the Department of Agriculture. The average debt service over next five years totals $93.0 million. The majority of the revenue streams to cover the debt service payments comprise cash sources, as there is no general obligation associated with these lease purchases and the investors' sole recourse is the leased asset. However, if the revenue streams intended to fund this debt service do not materialize, the State will need to find other ways to pay for the service-potential represented by these capital assets.

    - Intergovernmental Fiscal Dependency – The State expended $10,445.5 million (unaudited and including amounts in nonappropriated funds) in federal awards during Fiscal Year 2013-14 which represents 39.0 percent of the $26,805.4 million shown as expended by the State on the Government-Wide *Statement of Activities*, which is similar to Fiscal Year 2013-14. These amounts included grants for social, educational, and environmental purposes and fund both direct State expenditures and pass-through assistance to local governments. Current federal revenue projections show a one-year budget deficit of approximately $0.7 trillion for the 2014 federal Fiscal Year, and a $2.5 trillion deficit for federal Fiscal Years 2014-2018. The increasing expenditures in both the Social Security and Medicare Part A programs, residual stimulus spending, employee tax cuts under consideration and the potential costs of health care reform along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant federal revenue increases or potentially unsustainable federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the State's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,302,356	$ 2,246,115	$ 4,548,471	$ 218,521
Investments	8,460	254,744	263,204	67,411
Taxes Receivable, net	1,224,629	135,207	1,359,836	-
Contributions Receivable, net	-	-	-	54,484
Other Receivables, net	210,062	408,364	618,426	78,648
Due From Other Governments	570,721	150,697	721,418	2,064
Internal Balances	19,336	(19,336)	-	-
Due From Component Units	54	23,716	23,770	-
Inventories	53,125	54,015	107,140	-
Prepaids and Advances	73,025	37,433	110,458	622
Total Current Assets	4,461,768	3,290,955	7,752,723	421,750
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,554,938	429,965	2,984,903	156,410
Restricted Investments	657,772	303,678	961,450	190,462
Restricted Receivables	258,107	45,477	303,584	2,726
Investments	428,321	1,896,811	2,325,132	2,312,745
Contributions Receivable, net	-	-	-	92,318
Other Long-Term Assets	686,349	99,380	785,729	958,249
Depreciable Capital Assets and Infrastructure, net	9,600,423	5,876,698	15,477,121	165,399
Land and Nondepreciable Capital Assets	1,931,832	1,370,142	3,301,974	24,855
Total Noncurrent Assets	16,117,742	10,022,151	26,139,893	3,903,164
TOTAL ASSETS	20,579,510	13,313,106	33,892,616	4,324,914
DEFERRED OUTFLOW OF RESOURCES:	18,289	118,103	136,392	4,505
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,211	-	718,211	-
Accounts Payable and Accrued Liabilities	1,043,961	659,085	1,703,046	28,864
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	245,300	30,805	276,105	2,330
Due To Component Units	15	528	543	-
Unearned Revenue	92,674	346,264	438,938	7,656
Accrued Compensated Absences	10,470	18,117	28,587	-
Claims and Judgments Payable	61,623	-	61,623	22,251
Leases Payable	26,941	6,610	33,551	256
Notes, Bonds, and COPs Payable	187,910	244,366	432,276	50,165
Other Postemployment Benefits	-	14,076	14,076	-
Other Current Liabilities	19,979	127,033	147,012	113,051
Total Current Liabilities	2,407,790	1,446,884	3,854,674	224,573
Noncurrent Liabilities:				
Deposits Held In Custody For Others	139	-	139	378,141
Accrued Compensated Absences	145,992	250,148	396,140	-
Claims and Judgments Payable	301,591	40,982	342,573	-
Capital Lease Payable	148,055	35,582	183,637	-
Derivative Instrument Liability	-	8,566	8,566	-
Notes, Bonds, and COPs Payable	1,541,225	4,131,227	5,672,452	772,835
Due to Component Units	-	1,743	1,743	-
Other Postemployment Benefits	-	181,511	181,511	-
Other Long-Term Liabilities	402,954	44,768	447,722	61,343
Total Noncurrent Liabilities	2,539,956	4,694,527	7,234,483	1,212,319
TOTAL LIABILITIES	4,947,746	6,141,411	11,089,157	1,436,892
DEFERRED INFLOW OF RESOURCES:	338	-	338	718
NET POSITION:				
Net investment in Capital Assets:	10,125,644	3,653,265	13,778,909	189,997
Restricted for:				
Construction and Highway Maintenance	1,080,201	-	1,080,201	-
Education	1,110,180	642,611	1,752,791	-
Unemployment Insurance	-	402,770	402,770	-
Debt Service	44,752	39,862	84,614	-
Emergencies	153,150	34,000	187,150	63
Permanent Funds and Endowments:				
Expendable	7,271	7,901	15,172	1,031,462
Nonexpendable	800,132	64,712	864,844	832,948
Other Purposes	358,694	56,296	414,990	574,524
Unrestricted	1,969,691	2,388,381	4,358,072	262,815
TOTAL NET POSITION	$ 15,649,715	$ 7,289,798	$ 22,939,513	$ 2,891,809

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS) Functions/Programs	Expenses: Expenses	Expenses: Indirect Cost Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 466,717	$ (19,358)	$ 154,952	$ 259,421	$ 25
Business, Community, and Consumer Affairs	639,002	2,180	135,447	245,795	-
Education	5,470,907	1,656	62,912	728,017	-
Health and Rehabilitation	720,023	974	80,404	387,212	-
Justice	1,835,533	5,456	193,813	190,814	19
Natural Resources	90,672	1,711	191,980	53,093	54
Social Assistance	8,086,488	3,072	673,007	4,741,232	-
Transportation	1,870,506	1,935	421,255	177,330	728,446
Interest on Debt	53,094	-	-	-	-
Total Governmental Activities	19,232,942	(2,374)	1,913,770	6,782,914	728,544
Business-Type Activities:					
Higher Education	5,616,924	1,583	3,728,836	1,932,714	53,873
Unemployment Insurance	756,484	-	740,793	212,561	-
Lottery	477,171	263	546,234	555	-
Parks and Wildlife	170,898	-	131,136	30,445	1,712
College Assist	341,587	97	7,511	350,336	-
Other Business-Type Activities	209,440	431	282,660	42,427	1,314
Total Business-Type Activities	7,572,504	2,374	5,437,170	2,569,038	56,899
Total Primary Government	26,805,446	-	7,350,940	9,351,952	785,443
Component Units:					
Colorado Water Resources and Power Development Authority	61,620	-	40,527	18,488	-
University of Colorado Foundation	130,800	-	-	277,231	-
Colorado State University Foundation	55,943	-	-	86,472	-
Colorado School of Mines Foundation	24,517	-	1,800	82,353	-
University of Northern Colorado Foundation	11,592	-	-	18,749	-
Other Component Units	159,861	-	82,627	2,846	24,026
Total Component Units	$ 444,333	$ -	$ 124,954	$ 486,139	$ 24,026

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings (Losses)
- Other General Revenues

Payment from State of Colorado
Special and/or Extraordinary Items (See Note 35)
(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 29A)
Accounting Changes (Note 29B)

Net Position - Fiscal Year Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (32,961)	$ -	$ (32,961)	
(259,940)	-	(259,940)	
(4,681,634)	-	(4,681,634)	
(253,381)	-	(253,381)	
(1,456,343)	-	(1,456,343)	
152,744	-	152,744	
(2,675,321)	-	(2,675,321)	
(545,410)	-	(545,410)	
(53,094)	-	(53,094)	
(9,805,340)	-	(9,805,340)	
-	96,916	96,916	
-	196,870	196,870	
-	69,355	69,355	
-	(7,605)	(7,605)	
-	16,163	16,163	
-	116,530	116,530	
-	488,229	488,229	
(9,805,340)	488,229	(9,317,111)	
-	-	-	(2,605)
-	-	-	146,431
-	-	-	30,529
-	-	-	59,636
-	-	-	7,157
-	-	-	(50,362)
-	-	-	190,786
2,754,977	-	2,754,977	-
236,761	-	236,761	-
5,285,634	-	5,285,634	-
600,002	-	600,002	-
617,612	-	617,612	-
421,723	-	421,723	-
57,075	-	57,075	-
573,544	-	573,544	-
350	-	350	-
17,312	-	17,312	72,028
112,958	-	112,958	18
-	-	-	16,321
-	(22,186)	(22,186)	-
(172,442)	172,442	-	-
397	-	397	-
10,505,903	150,256	10,656,159	88,367
700,563	638,485	1,339,048	279,153
14,958,731	6,688,706	21,647,437	2,607,435
1,718	(6,922)	(5,204)	5,221
(11,297)	(30,471)	(41,768)	-
$ 15,649,715	$ 7,289,798	$ 22,939,513	$ 2,891,809

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 423,273	$ 720,574	$ 41,727
Taxes Receivable, net	1,380,690	30,656	-
Other Receivables, net	95,455	22,912	2,956
Due From Other Governments	533,432	962	-
Due From Other Funds	75,604	35,368	5,278
Due From Component Units	54	-	-
Inventories	8,721	35,868	7,673
Prepaids and Advances	38,529	20,001	1,481
Restricted Assets:			
Restricted Cash and Pooled Cash	225,307	63,500	1,043,875
Restricted Investments	-	-	-
Restricted Receivables	512	-	257,595
Investments	264,413	-	-
Other Long-Term Assets	-	384,413	7,680
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 3,045,990	$ 1,314,254	$ 1,368,265
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Tax Refunds Payable	$ 705,806	11,149	$ 484
Accounts Payable and Accrued Liabilities	666,376	6,645	184,673
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	91,719	81,872	32,928
Due To Other Funds	380,828	10,245	1,349
Due To Component Units	15	-	-
Unearned Revenue	18,641	516	17,136
Compensated Absences Payable	31	-	-
Claims and Judgments Payable	18,472	-	7
Notes, Bonds, and COPs Payable	-	-	-
Other Current Liabilities	12,702	-	26
Deposits Held In Custody For Others	4	-	-
TOTAL LIABILITIES	1,895,300	110,427	236,603
DEFERRED INFLOW OF RESOURCES:	215,663	535	1,290
FUND BALANCES:			
Nonspendable:			
Inventories	8,721	35,868	7,673
Permanent Fund Principal	-	-	-
Prepaids	38,535	20,001	1,481
Restricted	468,758	77,370	1,080,201
Committed	411,362	1,070,053	41,017
Assigned	7,651	-	-
TOTAL FUND BALANCES	935,027	1,203,292	1,130,372
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,045,990	$ 1,314,254	$ 1,368,265

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 143,625	$ -	$ 915,334	$ 2,244,533
-	-	38,915	1,450,261
655	7	86,460	208,445
325	-	35,514	570,233
135,558	83,936	116,736	452,480
-	-	-	54
-	-	140	52,402
4	-	7,880	67,895
-	1,014,211	208,045	2,554,938
3,847	-	653,925	657,772
-	-	-	258,107
990	-	171,378	436,781
71	-	67,652	459,816
-	-	68,332	68,332
$ 285,075	$ 1,098,154	$ 2,370,311	$ 9,482,049
-	-	-	-
$ -	$ -	$ 772	$ 718,211
11,007	6,144	102,862	977,707
-	-	-	706
-	12	38,769	245,300
82	-	64,360	456,864
-	-	-	15
-	-	50,787	87,080
-	-	-	31
-	-	88	18,567
-	-	130	130
-	-	3,906	16,634
-	-	135	139
11,089	6,156	261,809	2,521,384
-	-	9,102	226,590
-	-	140	52,402
-	-	868,383	868,383
4	-	7,879	67,900
3,298	1,091,998	293,850	3,015,475
270,684	-	929,148	2,722,264
-	-	-	7,651
273,986	1,091,998	2,099,400	6,734,075
$ 285,075	$ 1,098,154	$ 2,370,311	$ 9,482,049

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET POSITION TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,244,533	$ 57,823	$ -	$ -	$ -	$ -	$ -	$ 2,302,356
Investments	-	-	-	-	-	8,460	-	8,460
Taxes Receivable, net	1,450,261	-	-	-	-	(225,632)	-	1,224,629
Other Receivables, net	208,445	509	-	-	-	1,108	-	210,062
Due From Other Governments	570,233	488	-	-	-	-	-	570,721
Due From Other Funds	452,480	1,066	-	-	-	(1,086)	(433,124)	19,336
Due From Component Units	54	-	-	-	-	-	-	54
Inventories	52,402	723	-	-	-	-	-	53,125
Prepaids and Advances	67,895	5,130	-	-	-	-	-	73,025
Total Current Assets	5,046,303	65,739	-	-	-	(217,150)	(433,124)	4,461,768
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,554,938	-	-	-	-	-	-	2,554,938
Restricted Investments	657,772	-	-	-	-	-	-	657,772
Restricted Receivables	258,107	-	-	-	-	-	-	258,107
Investments	436,781	-	-	-	-	(8,460)	-	428,321
Other Long-Term Assets	459,816	-	-	-	-	226,533	-	686,349
Depreciable Capital Assets and Infrastructure, net	20,883	86,045	9,493,495	-	-	-	-	9,600,423
Land and Nondepreciable Capital Assets	47,449	33,498	1,850,885	-	-	-	-	1,931,832
Total Noncurrent Assets	4,435,746	119,543	11,344,380	-	-	218,073	-	16,117,742
TOTAL ASSETS	9,482,049	185,282	11,344,380	-	-	923	(433,124)	20,579,510
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	18,289	-	-	-	18,289
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	718,211	-	-	-	-	-	-	718,211
Accounts Payable and Accrued Liabilities	977,707	33,343	-	8,092	-	24,819	-	1,043,961
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	245,300	-	-	-	-	-	-	245,300
Due To Other Funds	456,864	1,079	-	-	-	(24,819)	(433,124)	-
Due To Component Units	15	-	-	-		-		15
Unearned Revenue	87,080	4,974	-	-	-	620	-	92,674
Compensated Absences Payable	31	299	-	-	-	10,140	-	10,470
Claims and Judgments Payable	18,567	-	-	-	41,420	1,636	-	61,623
Leases Payable	-	18,443	-	8,498	-	-	-	26,941
Notes, Bonds, and COPs Payable	130	870	-	186,910	-	-	-	187,910
Other Current Liabilities	16,634	37	-	-	-	3,308	-	19,979
Total Current Liabilities	2,521,245	59,045	-	203,500	41,420	15,704	(433,124)	2,407,790
Noncurrent Liabilities:								
Deposits Held In Custody For Others	139	-	-	-	-	-	-	139
Accrued Compensated Absences	-	8,263	-	-	-	137,729	-	145,992
Claims and Judgments Payable	-	-	-	-	121,076	180,515	-	301,591
Capital Lease Payable	-	83,563	-	64,492	-	-	-	148,055
Notes, Bonds, and COPs Payable	-	-	-	1,541,225	-	-	-	1,541,225
Other Long-Term Liabilities	-	-	-	-	-	402,954	-	402,954
Total Noncurrent Liabilities	139	91,826	-	1,605,717	121,076	721,198	-	2,539,956
TOTAL LIABILITIES	2,521,384	150,871	-	1,809,217	162,496	736,902	(433,124)	4,947,746
DEFERRED INFLOW OF RESOURCES:	226,590	-	-	-	-	(226,252)	-	338
NET POSITION:								
Net investment in Capital Assets:	68,202	24,121	11,344,380	(1,311,059)	-	-	-	10,125,644
Restricted for:								
Construction and Highway Maintenance	1,088,290	-	-	(8,089)	-	-	-	1,080,201
Education	1,363,318	-	-	(253,138)	-	-	-	1,110,180
Debt Service	44,752	-	-	-	-	-	-	44,752
Emergencies	153,150	-	-	-	-	-	-	153,150
Permanent Funds and Endowments:								
Expendable	7,271	-	-	-	-	-	-	7,271
Nonexpendable	800,132	-	-	-	-	-	-	800,132
Other Purposes	358,694	-	-	-	-	-	-	358,694
Unrestricted	2,850,266	10,290	-	(218,642)	(162,496)	(509,727)	-	1,969,691
TOTAL NET POSITION	$ 6,734,075	$ 34,411	$ 11,344,380	$ (1,790,928)	$ (162,496)	$ (509,727)	$ -	$ 15,649,715

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 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, 2014**

(DOLLARS IN THOUSANDS)	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 5,272,649	$ -	$ -
Corporate Income	665,363	-	-
Sales and Use	2,666,643	-	-
Excise	93,799	-	573,544
Other Taxes	240,161	259,321	350
Licenses, Permits, and Fines	19,951	2,674	346,218
Charges for Goods and Services	72,148	9,300	125,930
Rents	235	3	2,322
Investment Income (Loss)	27,478	20,928	15,546
Federal Grants and Contracts	6,058,163	182,704	750,438
Additions to Permanent Funds	-	-	-
Unclaimed Property Receipts	-	-	-
Other	144,105	2,117	140,307
TOTAL REVENUES	15,260,695	477,047	1,954,655
EXPENDITURES:			
Current:			
General Government	275,300	-	10,947
Business, Community, and Consumer Affairs	187,277	7,831	-
Education	645,474	-	-
Health and Rehabilitation	562,333	-	10,505
Justice	1,293,551	-	109,317
Natural Resources	44,835	49,181	-
Social Assistance	7,180,392	-	-
Transportation	-	-	1,200,325
Capital Outlay	195,678	360	33,530
Intergovernmental:			
Cities	113,031	52,163	185,693
Counties	1,233,614	48,603	211,707
School Districts	3,783,791	2,309	-
Special Districts	54,588	19,174	44,052
Federal	676	504	-
Other	25,457	4,747	204
Debt Service	43,411	-	-
TOTAL EXPENDITURES	15,639,408	184,872	1,806,280
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(378,713)	292,175	148,375
OTHER FINANCING SOURCES (USES):			
Transfers-In	4,445,436	31,503	10,962
Transfers-Out	(4,037,877)	(110,988)	(227,051)
Face Amount of Bond/COP Issuance	89,510	-	-
Bond/COP Premium/Discount	6,358	-	-
Capital Lease Proceeds	11,127	-	-
Sale of Capital Assets	21	-	-
Insurance Recoveries	60	-	543
Bond/COP Refunding Issuance	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	514,635	(79,485)	(215,546)
NET CHANGE IN FUND BALANCES	135,922	212,690	(67,171)
FUND BALANCE, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543
Prior Period Adjustment (See Note 29A)	-	-	-
Accounting Changes (See Note 29B)	-	851	-
FUND BALANCE, FISCAL YEAR END	$ 935,027	$ 1,203,292	$ 1,130,372

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 423,495	$ -	$ 5,696,144
-	55,303	-	720,666
-	-	48,420	2,715,063
-	-	144,566	811,909
-	-	153,359	653,191
7	-	388,813	757,663
-	-	697,894	905,272
-	-	180,332	182,892
2,019	11,421	37,339	114,731
10,039	-	181,356	7,182,700
-	-	397	397
-	-	52,540	52,540
2,250	201	76,073	365,053
14,315	490,420	1,961,089	20,158,221
5,215	-	39,827	331,289
3	-	200,109	395,220
14,445	47,531	22,881	730,331
110	-	85,028	657,976
114,967	-	87,623	1,605,458
-	-	12,937	106,953
54	-	233,552	7,413,998
-	-	2,878	1,203,203
57,306	-	11,102	297,976
-	-	60,891	411,778
-	-	79,517	1,573,441
-	666,320	22,699	4,475,119
-	-	10,246	128,060
-	-	1,856	3,036
-	377	40,542	71,327
2,728	-	214,972	261,111
194,828	714,228	1,126,660	19,666,276
(180,513)	(223,808)	834,429	491,945
339,961	83,936	493,212	5,405,010
(66,529)	(25,297)	(1,064,895)	(5,532,637)
-	-	7,100	96,610
-	-	-	6,358
13,905	-	-	25,032
-	-	26,495	26,516
1,201	-	302	2,106
111,780	-	-	111,780
400,318	58,639	(537,786)	140,775
219,805	(165,169)	296,643	632,720
54,181	1,257,167	1,802,472	6,100,219
-	-	285	285
-	-	-	851
$ 273,986	$ 1,091,998	$ 2,099,400	$ 6,734,075

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 5,696,144	$ -	$ -	$ -	$ 12,551	$ 5,708,695
Corporate Income	720,666	-	-	-	(65,360)	655,306
Sales and Use	2,715,063	-	-	-	39,914	2,754,977
Excise	811,909	-	-	-	(1,605)	810,304
Other Taxes	653,191	-	-	-	(6,158)	647,033
Licenses, Permits, and Fines	757,663	-	-	-	21	757,684
Charges for Goods and Services	905,272	-	-	-	(2)	905,270
Rents	182,892	-	-	-	-	182,892
Investment Income (Loss)	114,731	171	-	-	492	115,394
Federal Grants and Contracts	7,182,700	-	-	-	(1,192)	7,181,508
Additions to Permanent Funds	397	-	-	-	-	397
Unclaimed Property Receipts	52,540	-	-	-	-	52,540
Other	365,053	-	12	-	2,668	367,733
TOTAL REVENUES	20,158,221	171	12	-	(18,671)	20,139,733
EXPENDITURES:						
Current:						
General Government	331,289	(6,881)	14,762	-	(4,024)	335,146
Business, Community, and Consumer Affairs	395,220	(3,343)	4,921	-	(19,455)	377,343
Education	730,331	(357)	15,456	-	663	746,093
Health and Rehabilitation	657,976	(1,030)	18,233	-	594	675,773
Justice	1,605,458	(2,217)	(71,812)	-	4,336	1,535,765
Natural Resources	106,953	(1,608)	1,028	-	(381)	105,992
Social Assistance	7,413,998	(4,916)	12,309	-	(261)	7,421,130
Transportation	1,203,203	(1,076)	141,544	-	586	1,344,257
Capital Outlay	297,976	-	(270,828)	-	-	27,148
Intergovernmental:						
Cities	411,778	-	-	-	-	411,778
Counties	1,573,441	-	-	-	-	1,573,441
School Districts	4,475,119	-	-	-	-	4,475,119
Special Districts	128,060	-	-	-	-	128,060
Federal	3,036	-	102	-	-	3,138
Other	71,327	-	-	-	-	71,327
Debt Service	261,111	2,715	-	(184,759)	-	79,067
TOTAL EXPENDITURES	19,666,276	(18,713)	(134,285)	(184,759)	(17,942)	19,310,577
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	491,945	18,884	134,297	184,759	(729)	829,156
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,405,010	6,900	-	-	-	5,411,910
Transfers-Out	(5,532,637)	(11,422)	-	-	-	(5,544,059)
Face Amount of Bond/COP Issuance	96,610	-	-	(96,506)	-	104
Bond/COP Premium/Discount	6,358	-	-	(5,100)	-	1,258
Capital Lease Proceeds	25,032	-	-	(25,032)	-	-
Sale of Capital Assets	26,516	-	(27,560)	-	-	(1,044)
Insurance Recoveries	2,106	-	-	-	-	2,106
Bond/COP Refunding Issuance	111,780	-	-	(111,780)	-	-
Bond/COP Refunding Payments	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	140,775	(4,522)	(27,560)	(238,418)	-	(129,725)
Internal Service Fund Charges to BTAs	-	1,132	-	-	-	1,132
NET CHANGE FOR THE YEAR	632,720	15,494	106,737	(53,659)	(729)	700,563
Prior Period Adjustment (See Note 29A)	285	1433	-	-	-	1718
Accounting Changes (See Note 29B)	851	-	-	-12148	-	(11,297)
TOTAL CHANGE FOR THE CURRENT YEAR WITH PRIOR PERIOD ADJUSTMENT	$ 633,856	$ 16,927	$ 106,737	$ (65,807)	$ (729)	$ 690,984

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 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, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 1,047,807	$ 627,910
Investments	254,145	-
Premiums Receivable, net	-	135,207
Student and Other Receivables, net	356,069	7,963
Due From Other Governments	133,085	4,547
Due From Other Funds	5,482	-
Due From Component Units	23,716	-
Inventories	36,538	-
Prepaids and Advances	14,876	12,632
Total Current Assets	1,871,718	788,259
Noncurrent Assets:		
Restricted Cash and Pooled Cash	384,810	-
Restricted Investments	303,678	-
Restricted Receivables	-	-
Investments	1,829,495	-
Other Long-Term Assets	97,531	-
Depreciable Capital Assets and Infrastructure, net	5,324,256	73
Land and Nondepreciable Capital Assets	790,423	163
Total Noncurrent Assets	8,730,193	236
TOTAL ASSETS	10,601,911	788,495
DEFERRED OUTFLOW OF RESOURCES:	118,103	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	577,422	1,801
Due To Other Governments	-	1
Due To Other Funds	2,114	-
Due To Component Units	528	-
Unearned Revenue	217,325	-
Compensated Absences Payable	17,016	-
Leases Payable	6,228	-
Notes, Bonds, and COPs Payable	118,521	124,960
Other Postemployment Benefits	14,076	-
Other Current Liabilities	84,797	7,605
Total Current Liabilities	1,038,027	134,367
Noncurrent Liabilities:		
Due to Other Funds	-	-
Accrued Compensated Absences	239,084	-
Claims and Judgments Payable	40,982	-
Capital Lease Payable	30,899	-
Derivative Instrument Liability	8,566	-
Notes, Bonds, and COPs Payable	3,573,299	251,122
Due to Component Units	1,743	-
Other Postemployment Benefits	181,511	-
Other Long-Term Liabilities	21,258	-
Total Noncurrent Liabilities	4,097,342	251,122
TOTAL LIABILITIES	5,135,369	385,489
DEFERRED INFLOW OF RESOURCES:	-	-
NET POSITION:		
Net investment in Capital Assets:	2,831,177	236
Restricted for:		
Education	642,611	
Unemployment Insurance	-	402,770
Debt Service	39,862	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	7,901	-
Nonexpendable	64,712	-
Other Purposes	-	-
Unrestricted	1,998,382	-
TOTAL NET POSITION	$ 5,584,645	$ 403,006

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 39,128	$ 531,270	$ 2,246,115	$ 57,823
-	599	254,744	-
-	-	135,207	-
19,080	25,253	408,365	509
-	13,065	150,697	488
-	6,029	11,511	1,066
-	-	23,716	-
1,257	16,220	54,015	723
5,136	4,789	37,433	5,130
64,601	597,225	3,321,803	65,739
-	45,155	429,965	-
-	-	303,678	-
-	45,477	45,477	-
-	67,316	1,896,811	-
-	1,849	99,380	-
958	551,411	5,876,698	86,045
-	579,556	1,370,142	33,498
958	1,290,764	10,022,151	119,543
65,559	1,887,989	13,343,954	185,282
-	-	118,103	-
4,812	58,446	642,481	33,343
383	30,421	30,805	-
30,510	6,949	39,573	1,079
-	-	528	-
-	128,939	346,264	4,974
9	1,092	18,117	299
-	382	6,610	18,443
-	885	244,366	870
-	-	14,076	-
26,010	8,621	127,033	37
61,724	235,735	1,469,853	59,045
-	7,879	7,879	-
700	10,364	250,148	8,263
-	-	40,982	-
-	4,683	35,582	83,563
-	-	8,566	-
-	306,806	4,131,227	-
-	-	1,743	-
-	-	181,511	-
61	23,449	44,768	-
761	353,181	4,702,406	91,826
62,485	588,916	6,172,259	150,871
-	-	-	-
958	820,894	3,653,265	24,121
		642,611	
-	-	402,770	-
-	-	39,862	-
-	34,000	34,000	-
-	-	7,901	-
-	-	64,712	-
-	56,296	56,296	-
2,116	387,883	2,388,381	10,290
$ 3,074	$ 1,299,073	$ 7,289,798	$ 34,411

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Premiums	$ -	$ 736,985
License and Permits	-	46
Tuition and Fees	2,465,584	-
Scholarship Allowance for Tuition and Fees	(562,369)	-
Sales of Goods and Services	1,713,237	-
Scholarship Allowance for Sales of Goods & Services	(20,844)	-
Investment Income (Loss)	1,426	-
Rental Income	16,052	-
Gifts and Donations	25,183	-
Federal Grants and Contracts	981,685	195,367
Intergovernmental Revenue	11,406	-
Other	290,650	-
TOTAL OPERATING REVENUES	4,922,010	932,398
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,663,490	1,449
Operating and Travel	1,234,495	749,242
Cost of Goods Sold	153,138	-
Depreciation and Amortization	361,077	-
Intergovernmental Distributions	31,760	-
Debt Service	-	-
Prizes and Awards	443	-
TOTAL OPERATING EXPENSES	5,444,403	750,691
OPERATING INCOME (LOSS)	(522,393)	181,707
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	11,145	3,760
Investment Income (Loss)	260,142	17,194
Rental Income	12,701	3
Gifts and Donations	161,727	-
Intergovernmental Distributions	(20,742)	-
Federal Grants and Contracts	290,893	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(2,422)	-
Insurance Recoveries from Prior Year Impairments	3	-
Debt Service	(147,363)	(5,793)
Other Expenses	(4,289)	-
Other Revenues	5,475	-
TOTAL NONOPERATING REVENUES (EXPENSES)	567,270	15,164
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	44,877	196,871
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	90,590	-
Additions to Permanent Endowments	172	-
Special and/or Extraordinary Item (See Note 35)	(22,185)	-
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
TOTAL CONTRIBUTIONS AND TRANSFERS	270,693	(3,441)
CHANGE IN NET POSITION	315,570	193,430
NET POSITION - FISCAL YEAR BEGINNING	5,296,037	218,076
Prior Period Adjustments (See Note 29A)	(285)	(6,637)
Accounting Changes (See Note 29B)	(26,677)	(1,863)
NET POSITION - FISCAL YEAR ENDING	$ 5,584,645	$ 403,006

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ -	$ -	$ 736,985	$ -
66	106,736	106,848	-
-	469	2,466,053	-
-	-	(562,369)	-
545,028	207,165	2,465,430	300,964
-	-	(20,844)	-
-	10,278	11,704	-
-	1,695	17,747	14,450
-	-	25,183	-
-	430,811	1,607,863	-
-	24,018	35,424	-
1,137	11,777	303,564	136
546,231	792,949	7,193,588	315,550
9,539	258,489	3,932,967	166,336
57,698	384,768	2,426,203	103,398
12,196	35,210	200,544	8,347
960	18,017	380,054	17,516
-	10,758	42,518	3
-	11,691	11,691	-
336,511	868	337,822	-
416,904	719,801	7,331,799	295,600
129,327	73,148	(138,211)	19,950
-	34,921	34,921	-
-	564	15,469	-
555	7,030	284,921	172
-	9,225	21,929	-
-	1,381	163,108	-
(60,321)	-	(81,063)	-
-	-	290,893	816
-	3,625	1,203	1,763
-	175	178	-
-	(6,978)	(160,134)	(2,686)
-	(55)	(4,344)	-
-	-	5,475	-
(59,766)	49,888	572,556	65
69,561	123,036	434,345	20,015
-	3,265	93,855	1,159
-	-	172	-
-	-	(22,185)	-
-	21,821	227,848	5,741
(70,279)	(17,919)	(95,550)	(11,421)
(70,279)	7,167	204,140	(4,521)
(718)	130,203	638,485	15,494
3,792	1,170,801	6,688,706	17,548
-	-	(6,922)	1,433
-	(1,931)	(30,471)	(64)
$ 3,074	$ 1,299,073	$ 7,289,798	$ 34,411

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,927,884	$ -
Fees for Service	1,611,952	-
Sales of Products	2,648	-
Gifts, Grants, and Contracts	1,518,735	193,597
Loan and Note Repayments	427,122	-
Unemployment Insurance Premiums	-	732,578
Income from Property	28,752	-
Other Sources	112,475	-
Cash Payments to or for:		
Employees	(3,462,799)	-
Suppliers	(1,368,064)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(748,264)
Scholarships	(116,124)	-
Others for Student Loans and Loan Losses	(423,869)	-
Other Governments	(31,760)	- -
Other	(71,558)	-
Component Unit Cash Flows from Operating Activities		
NET CASH PROVIDED BY OPERATING ACTIVITIES	155,394	177,911
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	206,027	-
Transfers-Out	(3,911)	(3,441)
Receipt of Deposits Held in Custody	671,849	-
Release of Deposits Held in Custody	(674,437)	-
Gifts and Grants for Other Than Capital Purposes	150,330	-
Intergovernmental Distributions	(20,742)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(6,545)	(135,365)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	322,571	(138,806)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(634,290)	(235)
Capital Contributions	11,871	-
Capital Gifts, Grants, and Contracts	38,785	-
Proceeds from Sale of Capital Assets	4,981	-
Capital Debt Proceeds	416,903	-
Capital Debt Service Payments	(295,969)	-
Capital Lease Payments	(8,413)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(466,132)	(235)

(Continued)

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ 469	$ 1,928,353	$ 3
-	245,021	1,856,973	306,167
546,393	56,978	606,019	1,141
-	434,700	2,147,032	822
-	392	427,514	-
-	-	732,578	-
-	10,919	39,671	14,377
1,203	155,023	268,701	156
(9,398)	(148,468)	(3,620,665)	(122,463)
(30,559)	(275,830)	(1,674,453)	(143,127)
(376,008)	(6,416)	(382,424)	(829)
-		(748,264)	-
-	-	(116,124)	-
-	(267,463)	(691,332)	-
-	(10,295)	(42,055)	(3)
(45)	(9,753)	(81,356)	(401)
131,586	185,277	650,168	55,843
-	21,869	227,896	5,741
(70,279)	(17,967)	(95,598)	(11,421)
-	100	671,949	136
-	(131)	(674,568)	(214)
-	973	151,303	-
(67,059)	-	(87,801)	-
-	-	-	-
-	(549)	(142,459)	-
(137,338)	4,295	50,722	(5,758)
(18)	(225,773)	(860,316)	(27,187)
-	-	11,871	-
-	1,280	40,065	-
-	632	5,613	10,098
-	-	416,903	-
-	(6,936)	(302,905)	(5,413)
-	(545)	(8,958)	(32,489)
(18)	(231,342)	(697,727)	(54,991)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	120,069	17,194
Proceeds from Sale/Maturity of Investments	4,120,114	-
Purchases of Investments	(4,257,069)	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	2,829	-
NET CASH FROM INVESTING ACTIVITIES	(14,057)	17,194
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,224)	56,064
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,435,126	580,901
Prior Period Adjustment (See Note 29)	(285)	(9,055)
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,432,617	$ 627,910

RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (522,393)	$ 181,707
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	361,078	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	322,259	3,763
(Gain)/Loss on Disposal of Capital and Other Assets	222	-
Compensated Absences	15,736	-
Insurance Premiums and State Subsidy		
Claims and General Insurance Expenses Paid		
Interest and Other Expense in Operating Income	(14,228)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(51,034)	1,831
(Increase) Decrease in Inventories	449	-
(Increase) Decrease in Other Operating Assets	(6,940)	(9,608)
Increase (Decrease) in Accounts Payable	37,754	283
Increase (Decrease) in Other Operating Liabilities	12,491	(65)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 155,394	$ 177,911
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	35,338	-
Capital Assets Acquired by Grants or Donations and Payable Increases	60,284	-
Unrealized Gain/Loss on Investments and Interest Receivable Accruals	134,661	-
Loss on Disposal of Capital and Other Assets	24,019	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	35,031	60
Assumption of Capital Lease Obligation or Mortgage	7,570	-
Financed Debt Issuance Costs	946	-
Fair Value Change in Derivative Instrument	233	-

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

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
452	15,808	153,523	24
-	139,361	4,259,475	-
-	-	(4,257,069)	-
103	1,848	4,780	147
555	157,017	160,709	171
(5,215)	115,247	163,872	(4,735)
44,343	461,178	2,521,548	62,558
-	-	(9,340)	-
$ 39,128	$ 576,425	$ 2,676,080	$ 57,823
$ 129,327	$ 73,148	$ (138,211)	$ 19,950
960	18,017	380,055	17,516
-	(10,278)	(10,278)	-
-	48,497	374,519	819
-	7,972	8,194	-
(159)	(260)	15,317	(162)
-	(18,003)	(32,231)	235
1,268	24,594	(23,341)	2,982
(85)	(1,552)	(1,188)	402
(144)	785	(15,907)	(3,016)
616	8,749	47,402	13,807
(197)	33,608	45,837	3,310
$ 131,586	$ 185,277	$ 650,168	$ 55,843
-	3,969	39,307	1,159
-	1,571	61,855	-
-	-	134,661	-
3	7,991	32,013	4
-	-	35,091	-
-	-	7,570	22,303
-	-	946	-
-	-	233	-

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 68,071	$ 165,115	$ 699,802
Investments	-	646	-
Taxes Receivable, net	-	-	151,369
Other Receivables, net	603	6,562	351
Due From Other Funds	24,392	6,513	10,520
Inventories	-	-	6
Prepaids and Advances	1,235	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	13,684	-
Corporate Bonds	-	5,522	-
Repurchase Agreements	-	1,081	-
Asset Backed Securities	-	762	-
Mortgages	-	1,300	-
Mutual Funds	-	5,789,152	-
Other Investments	-	78,299	-
Other Long-Term Assets	-	-	13,689
TOTAL ASSETS	94,301	6,068,636	$ 875,737
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	14,843	8,817	1,276
Due To Other Governments	-	-	266,036
Due To Other Funds	-	-	1,086
Unearned Revenue	-	6,478	-
Claims and Judgments Payable	14,248	-	146
Other Current Liabilities	-	-	599,480
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,961	3,005
Accrued Compensated Absences	55	-	-
Other Long-Term Liabilities	-	-	4,708
TOTAL LIABILITIES	29,146	18,256	$ 875,737
NET POSITION:			
Pension/Benefit Plan Participants	64,392	-	
Individuals, Organizations, and Other Entities	-	6,050,380	
Unrestricted	763	-	
TOTAL NET POSITION	$ 65,155	$ 6,050,380	

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, 2014

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,007,293
Member Contributions	82,364	-
Employer Contributions	251,302	-
Investment Income/(Loss)	895	711,641
Employee Participation Fees	707	-
Unclaimed Property Receipts	-	35,759
Other Additions	4,636	3,075
Transfers-In	1,222	-
TOTAL ADDITIONS	341,126	1,757,768
DEDUCTIONS:		
Distributions to Participants	-	257,504
Health Insurance Premiums Paid	149,784	-
Health Insurance Claims Paid	147,919	-
Other Benefits Plan Expense	19,292	-
Payments in Accordance with Trust Agreements	-	562,601
Other Deductions	16,036	-
Transfers-Out	60	153
TOTAL DEDUCTIONS	333,091	820,258
CHANGE IN NET POSITION	8,035	937,510
NET POSITION - FISCAL YEAR BEGINNING	57,120	5,112,870
NET POSITION - FISCAL YEAR ENDING	$ 65,155	$ 6,050,380

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

STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 165,838	$ 17,291
Investments	-	-
Contributions Receivable, net	-	30,673
Other Receivables, net	75,606	487
Due From Other Governments	1,720	-
Prepaids and Advances	-	444
Total Current Assets	243,164	48,895
Noncurrent Assets:		
Restricted Cash and Pooled Cash	132,061	-
Restricted Investments	190,462	-
Restricted Receivables	2,726	-
Investments	-	1,474,385
Contributions Receivable, net	-	46,419
Other Long-Term Assets	955,621	-
Depreciable Capital Assets and Infrastructure, net	33	1,060
Land and Nondepreciable Capital Assets	-	-
Total Noncurrent Assets	1,280,903	1,521,864
TOTAL ASSETS	1,524,067	1,570,759
DEFERRED OUTFLOW OF RESOURCES:	4,505	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,364	9,159
Due To Other Governments	2,330	-
Unearned Revenue	-	-
Claims and Judgments Payable	-	-
Leases Payable	-	256
Notes, Bonds, and COPs Payable	50,165	-
Other Current Liabilities	100,604	12,239
Total Current Liabilities	166,463	21,654
Noncurrent Liabilities:		
Deposits Held In Custody For Others	-	327,500
Notes, Bonds, and COPs Payable	718,245	-
Other Long-Term Liabilities	31,904	18,349
Total Noncurrent Liabilities	750,149	345,849
TOTAL LIABILITIES	916,612	367,503
DEFERRED INFLOW OF RESOURCES:	718	-
NET POSITION:		
Net investment in Capital Assets:	33	804
Restricted for:		
Emergencies	-	-
Expendable	-	702,078
Nonexpendable	-	426,733
Other Purposes	556,934	-
Unrestricted	54,275	73,641
TOTAL NET POSITION	$ 611,242	$ 1,203,256

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 887	$ 13,869	$ 758	$ 19,878	$ 218,521
-	-	-	67,411	67,411
10,996	7,378	1,287	4,150	54,484
-	1,743	174	638	78,648
-	-	-	344	2,064
178	-	-	-	622
12,061	22,990	2,219	92,421	421,750
-	96	-	24,253	156,410
-	-	-	-	190,462
-	-	-	-	2,726
375,670	306,562	114,002	42,126	2,312,745
14,108	29,470	2,321	-	92,318
568	269	101	1,690	958,249
7	7	1,030	163,262	165,399
-	-	-	24,855	24,855
390,353	336,404	117,454	256,186	3,903,164
402,414	359,394	119,673	348,607	4,324,914
-	-	-	-	4,505
966	1,460	2,557	1,358	28,864
-	-	-	-	2,330
-	-	-	7,656	7,656
-	-	-	22,251	22,251
-	-	-	-	256
-	-	-	-	50,165
-	-	-	208	113,051
966	1,460	2,557	31,473	224,573
14,976	35,035	630	-	378,141
-	-	-	54,590	772,835
791	10,145	142	12	61,343
15,767	45,180	772	54,602	1,212,319
16,733	46,640	3,329	86,075	1,436,892
-	-	-	-	718
7	7	1,030	188,116	189,997
-	-	-	63	63
191,341	119,251	18,792	-	1,031,462
157,822	166,426	81,967	-	832,948
-	-	-	17,590	574,524
36,511	27,070	14,555	56,763	262,815
$ 385,681	$ 312,754	$ 116,344	$ 262,532	$ 2,891,809

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:		
Fees	$ 37,315	$ -
Sales of Goods and Services	-	-
Investment Income (Loss)	8,652	-
Rental Income	-	-
Gifts and Donations	-	152,259
Federal Grants and Contracts	6,765	-
Other	3,212	642
TOTAL OPERATING REVENUES	55,944	152,901
OPERATING EXPENSES:		
Salaries and Fringe Benefits	1,258	-
Operating and Travel	24,466	21,033
Depreciation and Amortization	14	595
Debt Service	35,883	-
Foundation Program Distributions	-	109,172
TOTAL OPERATING EXPENSES	61,621	130,800
OPERATING INCOME (LOSS)	(5,677)	22,101
NONOPERATING REVENUES AND (EXPENSES):		
Investment Income (Loss)	-	164,129
Gifts and Donations	-	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	-	-
Debt Service	-	-
Other Expenses	-	-
Other Revenues	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	164,129
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,677)	186,230
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	11,724	-
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	-
CHANGE IN NET POSITION	6,047	186,230
NET POSITION - FISCAL YEAR BEGINNING	605,195	1,017,026
Prior Period Adjustments (See Note 29A)	-	-
NET POSITION - FISCAL YEAR ENDING	$ 611,242	$ 1,203,256

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

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ 1,800	$ -	$ 73,018	$ 112,133
-	-	-	8,273	8,273
-	-	-	(4,577)	4,075
-	-	-	1,335	1,335
59,391	48,683	7,549	-	267,882
-	-	-	2,455	9,220
87	479	479	-	4,899
59,478	50,962	8,028	80,504	407,817
-	-	-	-	1,258
5,797	4,979	912	135,804	192,991
5	9	53	5,647	6,323
-	-	-	-	35,883
50,140	19,529	10,627	-	189,468
55,942	24,517	11,592	141,451	425,923
3,536	26,445	(3,564)	(60,947)	(18,106)
42,876	40,805	14,385	996	263,191
-	-	-	4,541	4,541
-	-	-	955	955
-	-	-	22,335	22,335
-	-	-	(3,382)	(3,382)
-	-	-	(15,030)	(15,030)
-	-	-	12,925	12,925
42,876	40,805	14,385	23,340	285,535
46,412	67,250	10,821	(37,607)	267,429
-	-	-	-	11,724
-	-	-	-	11,724
46,412	67,250	10,821	(37,607)	279,153
339,269	245,504	105,523	294,918	2,607,435
-	-	-	5,221	5,221
$ 385,681	$ 312,754	$ 116,344	$ 262,532	$ 2,891,809

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		ELIMINATIONS & ADJUSTMENTS	STATEMENT OF ACTIVITIES	
OPERATING REVENUES:				
Fees	$ 112,133			
Sales of Goods and Services	8,273			
Investment Income (Loss)	4,075	(4,075)		
Rental Income	1,335			
Gifts and Donations	267,882	(267,882)		
Federal Grants and Contracts	9,220	(9,220)		
Other	4,899	(1,686)		
TOTAL OPERATING REVENUES	407,817	(282,863)	124,954	CHARGES FOR SERVICES
OPERATING EXPENSES:				
Salaries and Fringe Benefits	1,258			
Operating and Travel	192,991			
Depreciation and Amortization	6,323			
Debt Service	35,883			
Foundation Program Distributions	189,468			
Other Expenses	-	18,410		
TOTAL OPERATING EXPENSES	425,923	18,410	444,333	EXPENSES
OPERATING INCOME (LOSS)	(18,106)			
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	263,191	(263,191)		
Gifts and Donations	4,541	(4,541)		
Federal Grants and Contracts	955	(955)		
Gain/(Loss) on Sale or Impairment of Capital Assets	22,335	(22,335)		
Debt Service	(3,382)	3,382		
Other Expenses	(15,030)	15,030		
Other Revenues	12,925	(12,925)		
TOTAL NONOPERATING REVENUES (EXPENSES)	285,535	(285,535)		
		486,139	486,139	OPERATING GRANTS & CONTRIBUTIONS
		24,026	24,026	CAPITAL GRANTS & CONTRIBUTIONS
		72,028	72,028	UNRESTRICTED INVESTMENT EARNINGS
		16,321	16,321	PAYMENTS FROM THE STATE
		18	18	OTHER GENERAL REVENUES
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	267,429			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	11,724	(11,724)		
TOTAL CONTRIBUTIONS AND TRANSFERS	11,724	(11,724)		
CHANGE IN NET POSITION	279,153		279,153	CHANGE IN NET POSITION
NET POSITION - FISCAL YEAR BEGINNING	2,607,435		2,607,435	NET POSITION - FISCAL YEAR BEGINNING
Prior Period Adjustments (See Note 29A)	5,221		5,221	
NET POSITION - FISCAL YEAR ENDING	$ 2,891,809		$ 2,891,809	NET POSITION - FISCAL YEAR ENDING

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 Through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. NEW ACCOUNTING STANDARDS

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, GASB Statement No. 66 – Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, and Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

B. FUTURE ACCOUNTING STANDARDS

Effective for Fiscal Year 2014-15, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions, which revises and establishes new financial reporting requirements for most governments, such as the State of Colorado, that provide their employees with pension benefits. The statement will require cost-sharing employers participating in defined benefit plans to record their proportionate share of the unfunded pension liability. At this time, management is unable to estimate the magnitude of the State's share of the unfunded pension liability.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTE 2 – REPORTING ENTITY

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

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

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

The following entities qualify as discretely presented component units:

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

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

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

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

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

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

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

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

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

University of Northern Colorado Foundation
Judy Farr Alumni Center
Campus Box 20
Greeley, CO 80639

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

CoverColorado
425 South Cherry Street, Suite 160
Glendale, Colorado 80246

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

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

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

The State's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

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

Resource Extraction

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

Highway Users Tax Fund

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

Capital Projects Fund

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

State Education Fund

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

PROPRIETARY FUND TYPE:

Higher Education Institutions

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

Unemployment Insurance

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

Lottery

The State Lottery encompasses the various lottery and lotto games run under Colorado Revised Statutes. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors

Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the General Purpose Revenue Fund. The funds are used primarily for open space purchases and recreational facilities throughout the State.

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

GOVERNMENTAL FUND TYPE (NONMAJOR):

<u>General Fund</u>

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

<u>Capital Projects</u>

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

<u>Special Revenue Funds</u>

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

<u>Debt Service Fund</u>

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.

<u>Permanent Funds</u>

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

PROPRIETARY FUND TYPE (NONMAJOR):

<u>Enterprise Funds</u>

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

<u>Internal Service Funds</u>

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

FIDUCIARY FUND TYPE:

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

<u>Pension and Benefit Trust Funds</u>

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

Private Purpose Trust Funds

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

Agency Funds

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

PRESENTATION OF INTERNAL BALANCES

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

FUNCTIONAL PRESENTATION OF EXPENDITURES

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

General Government

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

Business, Community, and Consumer Affairs

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

Education

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

Health and Rehabilitation

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

Justice

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

Natural Resources

Department of Natural Resources

Social Assistance

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

Transportation

Department of Transportation

Component Units

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2013.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, uses proprietary fund accounting in preparation of its financial statements, while CoverColorado and the Venture Capital Authority, both nonmajor component units, apply applicable GASB pronouncements. The financial information for these entities is presented as of December 31, 2013.

The four foundations presented as component units and HLC @ Metro, Inc. follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundations' audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units and HLC @ Metro, Inc. is presented as of June 30, 2014.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds

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

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

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

Expenditures are recognized in governmental funds when:

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

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

Proprietary and Fiduciary Funds

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

Component Units

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

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

A. CASH AND POOLED CASH

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

B. RECEIVABLES

Component Units

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

C. INVENTORY

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

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

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

D. INVESTMENTS

Primary Government

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

Component Units

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

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

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

E. CAPITAL ASSETS

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 fair market value at the date of donation (net of accumulated depreciation). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

(Amounts in Dollars)

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

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

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 and are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	3	50
Buildings	3	70
Leasehold Improvements	3	50
Vehicles and Equipment	3	50
Software	2	23
Library Books	3	20
Other Capital Assets	3	25
Infrastructure	20	75

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

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

F. UNEARNED REVENUE AND DEFERRED INFLOWS

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

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

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

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

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

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

Component Units

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

H. INSURANCE

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

The State insures its property through a combination of self-insurance and commercial insurance carriers and is self-insured against liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the State contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due. The State pays the actual costs of unemployment benefits paid to separated employees rather than unemployment insurance premiums.

I. NET POSITION AND FUND BALANCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Spendable fund balance classifications include:

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

Restrictions are in place on the *Balance Sheet – Governmental Funds* to reflect the restrictions discussed for the government-wide *Statement of Net Position*, except for Permanent Funds that are presented as Nonspendable. The emergency reserve is restricted in the Labor Fund, a nonmajor Other Special Revenue Fund, the gaming proceeds are restricted in the Gaming Fund, a nonmajor Other Special Revenue Fund, funds legally required to be held for debt service in the Debt Service Fund, an Other Governmental Fund, while the remaining restrictions are represented in various funds.

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

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

In the General Purpose Revenue Fund the Committed category represents the requirement in Colorado Revised Statutes 24-75-201.1(1) (d) to reserve five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. Historically, the legislature has acted to reduce the reserve when revenues were projected to be inadequate to fund appropriations and the reserve. The reserve is applicable for both GAAP and budget basis purposes. The GAAP based fund balance was not sufficient to report the entire reserve as Committed fund balance. As a result only the remaining GAAP fund balance of $249.2 million was committed for this purpose.

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

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

Assigned – This classification represents the portion of the General Purpose Revenue Fund fund balance related to certain Fiscal Year 2013-14 appropriations that the Colorado State Controller approved in accordance with Fiscal Rule 7-3 for use in the subsequent fiscal year.

Unassigned – This classification is the residual classification in the General Fund, and is not shown in other governmental funds unless the fund balance is a deficit. For Fiscal Year 2013-14, there was no unassigned fund balance because of the shortfall in the statutory reserve discussed in the Committed section of this note.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

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

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

B. INDIRECT COST ALLOCATION

The State allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities. The allocation is based on the Statewide Appropriations/Cash Fees Plan that is derived from the Statewide Indirect Cost Allocation Plan that was approved by the federal government during Fiscal Year 2013-14. The Statewide Appropriations/Cash Fees Plan includes indirect costs not chargeable to federal sources, including the majority of the Governor's Office.

The Plan uses costs from Fiscal Year 2010-11 that were incorporated in State agency budgets in Fiscal Year 13-14. The allocation of costs between the governmental activities and business-type activities would normally result in an adjustment of internal balances on the government-wide *Statement of Net Position.* However, since the amount allocated from the governmental activities to the business-type activities is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

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

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

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

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

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. In the General Purpose Revenue Fund and Regular Capital Projects Fund, if earned cash revenues plus available reserved fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Absent general-funded appropriations, agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 155. Differences noted between departmental reversions or overexpended amounts on the budgetary schedules and the `overexpended amounts discussed below are due to offsetting underexpended line item appropriations.

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

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

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

Total overexpenditures at June 30, 2014, were $36,241,517 as described in the following paragraphs.

Approved Medicaid Overexpenditures:

- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $27,130,236 of general funds. This appropriation pays for the majority of Medicaid services rendered for clients. With changes in eligibility standards, the caseload related to low income and higher income parents was higher than estimated. Growth in the base population that is funded at a 50 percent federal participation rate increased by 40,000 while the expansion population that is solely federally funded grew by 15,000 which is significantly below the level anticipated. This also contributed to nonappropriated overexpenditures of $438,927 in the Breast and Cervical Prevention and Treatment Fund, $149,124 in the Healthcare Expansion Fund, and $316,582 in the Nursing Facility Provider Fee Cash Fund.

- Medicaid Mental Health Fee for Service Payments – The Department of Health Care Policy and Financing overexpended this line item by $1,791,913 of general funds and $1,368,503 of cash funds. This appropriation includes Medicaid covered mental health services that are paid on a fee-for-service basis to providers. The Department believes that the increase in expenditures was due to an unanticipated increase in utilization of services, estimated at about 4.5 percent.

- MMA 2003 State Contribution – The Department of Health Care Policy and Financing overexpended this line item by $1,285,691 of general funds. The appropriation makes the Medicare Modernization Act Clawback payment and was based on a projected caseload, including retroactive caseload. The appropriation based on actual caseload varied from actual expenditures by approximately 1.22 percent.

- Community Services for Developmental Disabilities The Department of Health Care Policy and Financing overexpended this line item by $3,296 of general funds. This appropriation pays for Medicaid covered services for individuals with intellectual or developmental disabilities that are paid on a fee-for-services basis to providers. The average per member per month expenditure increased approximately 1.5 percent higher than anticipated for the Adult Comprehensive Home and Community Based Services Medicaid waiver program.

Approved Department of Human Services Non-Medicaid Overexpenditures Subject to the $1.0 Million Limit:

- CBMS Operating Expenses and Modernization Contract – The Department of Human Services overexpended the operating line item by $599,828 and the modernization contract line item by $83,722 of general funds. This resulted from the inability of the Department to utilize Temporary Aid to Need Families (TANF) federal funds. A high volume of billings were received in July which is past the point in time that the funding split could have been trued up with an emergency supplemental appropriation as TANF funds must be appropriated.

Approved Statewide Overexpenditures Subject to the $3.0 Million Limit:

- State Personnel Board Operating Expenses – The Department of Personnel and Administration overexpended this line item by $62 of general funds. The Division's expenses exceeded its spending authority in this line item due to an oversight.

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

- Legal Services Cash Fund – The General Assembly authorized the Legal Service Cash Fund for use by the Department of Law beginning in Fiscal Year 2012-13 for payments received from client state agencies for legal services billings. This activity had previously been accounted for in the General Purpose Revenue Fund. With the creation of the cash fund as an internal service fund, governmental accounting standards require that liabilities for compensated absences be recorded as an expense directly in the fund. The department had not anticipated this additional liability when initially determining rates. Rates have subsequently been increased and the deficit has been reduced from $1,620,644 in the prior year to $701,828.

- High Performance Transportation Enterprise – The Department of Transportation had a deficit fund balance related to this line item of $2,283,235. Pursuant to C.R.S. 43-4-806 (4), the Transportation Commission loaned monies to the High Performance Transportation Enterprise. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater. The deficit this year has increased from last year's amount of $1,603,651.

- Registration Number Fund – The Governor's Office had a deficit fund balance related to this fund of $88,570. Pursuant to C.R.S. 42-1-407, the Department of Personnel and Administration loaned the fund $300,000 to cover start-up costs until proceeds from the auction of special license plates were generated. Although there was a positive cash balance in the fund as of fiscal year end, the remaining unpaid loan liability was greater.

The deferral of Medicaid expenditures and revenues for budget purposes only is authorized in CRS 25.5-8-108(5). However, those expenditures are recognized in the current fiscal year for financial statement presentation under Generally Accepted Accounting Principles (GAAP). The recognition of those expenditures on the GAAP basis resulted in fund balance deficits. Because the budget deferral that caused the GAAP deficit fund balance is in compliance with statute, no restriction of Fiscal Year 2014-15 spending authority is recommended. The following cash funds were in deficit fund balance position as a result of this Medicaid activity as of June 30, 2014:

- Department of Health Care Policy and Financing

  Healthcare Expansion Fund - $1,402,598

  Adult Dental Fund - $381,574

  Medicaid Buy-In Cash Fund - $20,715

The General Fund Surplus Schedule (page 162) shows a negative reversion of $17.2 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to $20.7 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in the appropriations act. The Department does not record additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversions Report will show that the appropriations act estimate was less than the actual expenditures.

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

B. TAX, SPENDING, AND DEBT LIMITATIONS

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

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limit be refunded to the taxpayers unless voters approved otherwise. The State first exceeded the TABOR revenue growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of $3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-

04, but again exceeded the limit resulting in a $41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a statutory measure referred to the ballot by the Legislature that authorized the State to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. With the end of the Referendum C five-year excess revenue retention period, the State is subject to an Excess State Revenue Cap (ESRC) starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds. The basis for the ESRC is the highest adjusted TABOR revenue during the five-year period which occurred in Fiscal Year 2007-08 and resulted in a Fiscal Year 2013-14 ESRC of $11.85 billion. TABOR revenue was below the ESRC by $160.5 million, and over the TABOR limit by $2,125.3 million. As a result of the ESRC replacing the TABOR limit as the trigger point for refunds, refunds of $2,125.3 million that would have occurred related to Fiscal Year 2013-14 under the TABOR limit are not required. Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $9.8 billion, $3.6 billion during the initial five year revenue retention period, and an additional $6.2 billion as a result of the higher ESRC limit in Fiscal Years 2010-11 through 2013-14.

The $0.7 million TABOR refund liability shown on the government-wide *Statement of Net Position* and the fund-level *Balance Sheet* is the un-refunded portion of the Fiscal Year 2004-05 TABOR refund liability.

TABOR requires the State to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2013-14 that amount was $350,757,137.

At June 30, 2014, the financial net positions, or fund balance of the following funds, were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, a portion of the nonmajor Labor Fund – $83,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Parks and Wildlife Enterprise Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund, a portion of the major Resource Extraction Fund, - $33,000,000. The $33,000,000 designation by the Legislature has been reduced by $2,500,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Colorado Water Conservation Board Construction Fund, a portion of the major Resource Extraction Fund - $33,000,000.

  .Controlled Maintenance Trust Fund, a portion of the major General Fund - $48,000,000. In addition to this amount, $9,500,000 of the Fiscal Year 2012-13 designation was carried forward into Fiscal Year 2013-14. The adjusted $57,500,000 designation by the Legislature has been reduced by $50,850,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B).
- Unclaimed Property Tourism Promotion Trust Fund, a portion of the nonmajor Private Purpose Trust Fund - $5,000,000.
- The 2013 legislative session Long Appropriations Act designated up to $93,600,000 of State properties as the remainder of the emergency reserve.

The estimate of the needed reserve was based on the December 2013 revenue estimate prepared by the Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $21,157,137 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2013-14, under the direction of the Governor's Executive Orders, the State transferred $50.85 million from the Controlled Maintenance Trust Fund and $2.5 million from the perpetual base account of the Severance Tax Fund of the TABOR emergency reserve to the Disaster Emergency Fund to pay the costs related to the following emergencies:

- West Fork Fire - $12.0 million
- Front Range Flooding - $38.95 million
- El Paso County Flooding - $0.4 million
- Red Canyon Fire - $2.0 million

NOTE 9 Through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

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

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

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

Including restricted amounts and fiduciary funds, the Cash and Pooled Cash line on the financial statements includes $7,555.6 million ($7,561.1 million at amortized cost) of claims of the State's funds on moneys in the Treasurer's pooled cash.

At June 30, 2014, the treasurer had invested $7,455.0 million (fair value) of the pool and held $7.0 million of certificates of deposit.

The State had an accounting system cash deposit balance of $1,221.7 million in the Treasurer's pool. Under the GASB Statement No. 40 definitions, $115.7 million of the State's total bank balance of $1,244.6 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.

Component Units

The Colorado Water Resources and Power Development Authority had cash deposits of $172,393 with a bank balance of $206,878 at December 31, 2013. Of the booked amount, $250,000 was federally insured and $43,122 was collateralized with securities held by the pledging institution in a collateral pool not in the authority's name. The authority also reported as cash and cash equivalents $29.7 million held by the State Treasurer, $182.2 million held in COLOTRUST and $85.8 million held in third party, short-term, prime investment funds. COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicle that qualifies as 2a7-like investment pool, where the value of each share is maintained at $1.00. Shares of COLOTRUST are not evidenced by securities, and therefore, are not subject to custodial risk classification. Both COLOTRUST and the third party investment funds have a credit quality rating of AAA, while cash held by the State Treasurer is not rated for credit quality.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

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

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general–purpose revenues are accounted for in the Capital Projects Fund. Several of the State's enterprise and internal service funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain State agencies are authorized to move general revenue cash of the Capital Projects Fund to the enterprise or internal service fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*

- Donations or Grants of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Position;* therefore, they are reported as noncash transactions.

- Realized/Unrealized Gain/(Loss) on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains or losses on the Treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the Treasurer's pooled cash result in increases or decreases in investment balances, and therefore, are reported as noncash transactions. The unrealized gain/loss schedule in Note 14 shows the combined effect of these two sources of unrealized gains or losses. Additionally, this line includes realized gains received in the form of new investments rather than in cash.

- Loss on Disposal of Capital and Other Assets – When the cash received at disposal of a capital or other asset is less than the carrying value of the asset, a loss is recorded. The loss results in a reduction of the amount reported for capital or other assets on the Statement of Net Position, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.

- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/(loss) on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Position.* Since no cash is received or disbursed in these transactions, they are reported as noncash.

- Assumption of Capital Lease Obligation or Mortgage – Although no cash is exchanged, entering a capital lease or mortgage changes both the capital asset and related liability balances reported on the *Statement of Net* Position. Therefore, these transactions are reported as noncash.

- Financed Debt Issuance Costs – When costs of debt issuance are financed by and removed from the debt proceeds, the State reports a noncash transaction.

- Fair Value Change in Derivative Instrument – When the State enters into a derivative instrument that qualifies as a hedge and has reported a deferred inflow or deferred outflow, the *Statement of Net Position* also includes a real account, either asset or liability, that is measured at fair value but does not represent a current cash transaction.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,359.8 million shown on the government-wide *Statement of Net Position* primarily comprises the following:

- $1,380.7 million, mainly of self-assessed income and sales tax recorded in the General Purpose Revenue Fund. This amount is after the removal of $225.6 million of taxes receivable expected to be collected after one year and reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Position.* These long-term receivables are offset by deferred inflows on the *Balance Sheet – Governmental Funds*.
- $135.2 million of unemployment insurance premiums receivable recorded in the Unemployment Insurance Fund.
- $30.7 million recorded in the Resource Extraction Fund as severance taxes receivable.
- $38.9 million recorded in nonmajor special revenue funds, of which, approximately $11.1 million is from gaming tax, $14.6 million is insurance premium tax, and $9.9 million is tobacco tax.

In addition, $58.2 million of Taxes Receivable, $50.8 million of Other Receivables, and $148.6 million of intergovernmental receivables were recorded in the Highway Users Tax Fund. All three items were reported as restricted receivables because the State Constitution and federal requirements restrict that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

The Other Receivables of $618.4 million shown on the government-wide *Statement of Net Position* are net of $287.5 million in allowance for doubtful accounts and primarily comprise the following:

- $356.1 million of student and other receivables of Higher Education Institutions.
- $95.5 million of receivables recorded in the General Fund, of which $16.2 million is from interest receivable on investments. The Department of Health Care Policy and Financing also recorded receivables of $65.5 million related primarily to rebates from drug companies and overpayments to healthcare providers, and the Colorado Mental Health Institutes recorded $4.1 million of patient receivables.
- $22.9 million recorded by the Resource Extraction Fund.
- $86.5 million recorded by Other Governmental Funds including $45.3 million of tobacco settlement revenues expected within the following year, $10.5 million of rent and royalty receivables recorded by the State Lands Funds and $4.3 million from the Great Outdoors Colorado program recorded by Parks and Wildlife.

Component Units

The Colorado Water Resources and Power Development Authority had loans receivable of $1.0 billion at December 31, 2013. During 2013, the authority made new loans of $33.4 million and canceled or received repayments for existing loans of $78.4 million.

The University of Colorado Foundation contributions receivable of $30.7 million and $46.4 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Position – Component Units*. At June 30, 2014, the amount reported as contributions receivable includes $88.0 million of unconditional promises to give which were offset by a $8.7 million allowance for uncollectible contributions and a $2.2 million unamortized pledge discount using discount rates ranging from 0.03 percent to 5.81 percent.

At June 30, 2014, the Contributions Receivable amount shown for the Colorado State University Foundation included contributions of $26.7 million, which were offset by $1.0 million of unamortized pledge discounts calculated using the five-year U.S. Treasury note rate and $0.6 million of allowance for uncollectible pledges. At June 30, 2014, contributions from two donors represented approximately 41 percent of net contributions receivable for the foundation.

At June 30, 2014, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $36.8 million was offset by $4.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 60 percent of the foundation's contributions receivable at June 30, 2014, consists of a pledge from one donor in 2014, and approximately $4.3 million is due from trusts held by others.

At June 30, 2014, the combined current and noncurrent Contributions Receivable amount shown for the University of Northern Colorado Foundation of $3.6 million was offset by $0.1 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 80 percent of the foundation's contributions receivable at June 30, 2014 consists of a pledge from one donor.

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the $4.2 million of accounts receivable from insurance companies that are reported as Contributions Receivable on the *Statement of Net Position.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $107.1 million shown on the government-wide *Statement of Net Position* at June 30, 2014, primarily comprise:

- $13.8 million of manufacturing inventories recorded by Correctional Industries, a nonmajor enterprise fund,
- $66.4 million of resale inventories, of which, Resource Extraction recorded $35.9 million, and Higher Education Institutions recorded $27.8 million, and
- $19.6 million of consumable supplies inventories, of which, $8.7 million was recorded by the Higher Education Institutions, $7.3 million was recorded by the Highway Users Tax Fund, $2.1 million by the General Purpose Revenue Fund, and $1.0 million by Parks and Wildlife, a nonmajor enterprise fund.

NOTE 13 – PREPAIDS AND ADVANCES

Prepaids and Advances of $110.5 million shown on the government-wide *Statement of Net Position* are primarily general prepaid expenses. The significant items include:

- $17.3 million advanced to Colorado counties and special districts by the General Purpose Revenue Fund primarily related to social assistance programs.
- $16.4 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a portion of the Resource Extraction Fund.
- $9.4 million in Higher Educational Institutions, of which $5.2 million was at Colorado State University that primarily related to library subscriptions.
- $5.1 million of prize expense paid by the Colorado Lottery to a multistate organization related to participation in the Powerball lottery game.
- $4.2 million of security deposits in the Department of Labor and Employment.

NOTE 14 – INVESTMENTS

Primary Government

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

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

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

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2013-14, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $169,768, for the Unclaimed Property Tourism Trust Fund of $15,175, for the Major Medical Fund of $72,151, for the Colorado Prepaid Tuition Fund of $1,368,687, and for the Treasurer's pooled cash of $549,549.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2014 and 2013, the treasurer had $41.5 million and $29.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor special revenue fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a nonmajor special revenue fund, to the State Fair, a nonmajor enterprise fund, and to the Agriculture Management Fund, a nonmajor special revenue fund.

As provided by State statute, the State Treasurer held $7.3 million of investment in residential mortgages by paying the property taxes of certain elderly State citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the State as there is no quoted market price for these investments.

The State Treasurer held Colorado Housing and Finance Authority bonds, a related party, totaling $7.1 million as of June 30, 2014. See Note 39 for additional details.

The Colorado State University, reported in the Higher Education Institutions Fund, held $1,373,353 of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the State recognized $1,413,437 of net realized losses from the sale of investments held by State agencies other than the State Treasurer during Fiscal Year 2013-14.

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

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 1,221,696
Investments:	
Governmental Activities	8,560,230
Business-Type Activities	2,455,231
Fiduciary Activities	5,879,808
Total	$ 18,116,965
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 5,481,459
Add: Warrants Payable Included in Cash	210,371
Total Cash and Pooled Cash	5,691,830
Add: Restricted Cash	2,984,903
Add: Restricted Investments	961,450
Add: Investments	8,478,782
Total	$ 18,116,965

Custodial Credit Risk

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

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

The *Other* category of the General Fund comprises the issuance trustee's deposit of proceeds from Certificates of Participation issued for local school district capital construction under the Build Excellent Schools Today (BEST) program. The $257.1 million is reported in the Public School Buildings Fund, a Special Purpose General Fund.

Certain trustees have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments. The *Other* category of the Other Governmental funds primarily comprises the issuance trustees' deposit of unexpended proceeds from Certificates of Participation issued for BEST issuances ($44.2 million reported in the Debt Service Fund, an Other Governmental Fund) and the Ralph L. Carr Justice Center ($0.8 million reported in a Special Capital Projects Fund), and $3.4 million related to investments in the Public School Fund. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	Governmental Activities			
	Treasurer's Pool	General Fund	Other Governmental	Total
INVESTMENT TYPE				
U.S. Government Securities	$ 4,164,291	$ -	$ 261,180	$ 4,425,471
Commercial Paper	74,998	-	-	74,998
Corporate Bonds	1,734,116	-	251,954	1,986,070
Asset Backed Securities	1,462,699	-	142,783	1,605,482
Mortgages Securities	18,933	7,322	132,467	158,722
Mutual Funds	-	-	3,971	3,971
Other	-	257,091	48,425	305,516
TOTAL INVESTMENTS	$ 7,455,037	$264,413	$ 840,780	$ 8,560,230

The following table lists the investments of the major enterprise funds, nonmajor enterprise funds in the aggregate, and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: Private Equities ($43.7 million), Absolute Return Funds ($40.5 million), Real Estate ($28.5 million), Venture Capital ($18.0 million), and the issuance trustee's deposit of proceeds from Certificates of Participation (COPs) issued for Higher Education capital construction ($2.2 million), and Municipal Bonds ($9.2 million). The trustee has selected the State Treasurer's pool as its primary investment vehicle. The Treasurer accounts for the trustee's deposit in an agency fund, and the investment types and related risks are disclosed through the Treasurer's pool investments.

The *Other* category of the Other Enterprise funds primarily comprise the Bridge Enterprise trustee's holdings that include unexpended proceeds from the prior years of $49.6 million of bond issuances.

The *Other* category of the Fiduciary funds represents a funding agreement with MetLife ($78.3 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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

(Amounts in Thousands)

	Business-Type Activities			Fiduciary
	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENT TYPE				
U.S. Government Securities	$ 322,212	$ -	$ 322,212	$ 11,277
Commercial Paper	2,802	-	2,802	-
Corporate Bonds	195,457	-	195,457	-
Corporate Securities	19,503	-	19,503	-
Repurchase Agreements	234,912	-	234,912	1,080
Asset Backed Securities	101,967	-	101,967	-
Mortgages Securities	85,204	-	85,204	-
Mutual Funds	1,234,747	16,117	1,250,864	5,789,152
Other	190,512	51,798	242,310	78,299
TOTAL INVESTMENTS	$ 2,387,316	$ 67,915	$ 2,455,231	$ 5,879,808

	Higher Education Institutions	Other Enterprises	Total	Fiduciary
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 265	$ -	$ 265	$ -
Corporate Bonds	3,767	-	3,767	-
Corporate Securities	9,782	-	9,782	-
Repurchase Agreements	-	-	-	1,080
TOTAL SUBJECT TO CUSTODIAL RISK	$ 13,876	$ -	$ 13,876	$ 1,080

Credit Quality Risk

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

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

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

In addition, to the amounts shown in the following table:

- CollegeInvest held a funding agreement valued at $78.3 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- Certain trustees, as discussed under Custodial Credit Risk, have selected the State Treasurer's pool as their primary investment vehicle. The Treasurer accounts for the trustees' deposits in agency funds, and the investment types and related risks are disclosed through the Treasurer's pool investments.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds & Other	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 91,106	$ -	$ 1,462,699	$ -	$ -	$ -	$ -	$ 1,553,805
High Grade	1,004,685	-	643,105	-	18,933	-	-	-	-	1,666,723
Upper Medium	-	-	959,242	-	-	-	-	-	-	959,242
Lower Medium	-	-	15,235	-	-	-	-	-	-	15,235
Short-term Ratings										
Highest	2,192,967	74,998	-	-	-	-	-	-	-	2,267,965
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 6,995	$ -	$ 85,489	$ 219,385	$ 387	$ 107	$ -	$ 312,363
High Grade	70,588	-	40,356	-	56,370	5,470	4	254	8,399	181,441
Upper Medium	-	800	88,421	-	5,885	-	21	75	788	95,990
Lower Medium	-	-	50,099	-	4,708	-	342	-	-	55,149
Speculative	-	-	1,329	-	1,093	-	69	-	-	2,491
Very Speculative	-	-	-	-	504	-	40	-	-	544
High Default Risk	-	-	-	-	4,779	-	10	-	-	4,789
Default	-	-	-	-	1,154	-	-	-	-	1,154
Short-term Ratings										
Highest	-	2,002	-	-	-	-	169	-	-	2,171
Unrated	-	-	8,258	234,912	26,298	48,848	167,082	144	2,004	487,546
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ -	$ 1,080	$ -	$ -	$ -	$ -	$ -	$ 1,080
High Grade	2,856	-	-	-	-	-	-	-	-	2,856
Short-term Ratings										
Unrated	2,041	-	-	-	-	5,789,152	-	-	-	5,791,193
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ -	$ -	$ 24,041	$ -	$ 142,783	$ 3,543	$ -	$ -	$ -	$ 170,367
High Grade	204,708	-	155,652	-	125,361	990	-	-	3,364	490,075
Upper Medium	-	-	68,518	-	-	-	-	-	-	68,518
Lower Medium	-	-	3,742	-	-	-	-	-	-	3,742
Short-term Ratings										
Highest	-	-	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	14,428	8,025	7,529	-	-	29,982

Interest Rate Risk

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

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

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

The CollegeInvest program has investments reported in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $61.2 million that have duration of 7.9 years. These securities are excluded from the duration table on the following page because interest rate risk is effectively mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure. The 12.739 year weighted average maturity reported in the Fiduciary Funds represents the Lottery's laddering of U.S. Government bonds to match a prize annuity. The Lottery plans to hold these investments to maturity.

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

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 4,164,291	1.424	$ 61,737	5.187	$ 11,676	12.739	$ 261,180	5.873
Commercial Paper	74,998	0.043	2,802	0.394	-	-	-	-
Corporate Bonds	1,734,116	2.766	78,780	3.040	-	-	251,954	6.388
Asset Backed Securities	1,481,633	3.033	52,792	3.862	-	-	275,251	4.913
Municipal Bonds	-	-	-	-	-	-	3,364	10.460
Total Investments	$ 7,455,038		$ 196,111		$ 11,676		$ 791,749	

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

The University of Colorado participated in tri-party repurchase agreements of $234.9 million to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. The $234.9 million is not shown in the following duration table; however, the duration associated with the repurchase agreements is 1.7 years.

The University of Colorado has invested $13.8 million in U.S. Treasury Inflation Protected Securities with duration of 6.7 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

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

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

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 173,875,435	4.510
U.S. Treasury Strips	999,800	0.040
U.S. Government Agency Notes	68,696,825	3.240
U.S. Government Agency Strips		
Municipal Bonds	9,204,817	7.690
Corporate Bonds	112,303,354	6.230
Certificates of Deposit	1,987,023	2.640
Asset Backed Securities	133,488,167	4.280
Bond Mutual Funds	167,132,119	2.760
Colorado State University:		
Bond Mutual Funds	$ 991,409	2.800
Colorado School of Mines:		
Bond Mutual Funds-1	$ 1,007,163	5.500
Bond Mutual Funds-2	968,347	1.200
Bond Mutual Funds-3	732,422	0.700
Bond Mutual Funds-4	808,850	7.700
Colorado Mesa University:		
U.S. Government Securities	$ 1,006,615	2.350
Corporate Bonds	857,163	2.014
Bond Mutual Funds	252,675	3.100
Taxable Municipal Bonds	$ 580,387	2.644
Private Purpose Trust:		
CollegeInvest:		
Bond Mutual Fund-1	$ 639,488,130	5.600
Bond Mutual Fund-2	562,374,581	5.600
Bond Mutual Fund-3	353,527,101	0.159
Bond Mutual Fund-4	338,996,335	3.000
Bond Mutual Fund-5	218,325,446	6.700
Bond Mutual Fund-6	140,752,931	6.800
Bond Mutual Fund-7	100,726,915	3.200
Bond Mutual Fund-8	35,726,512	5.600
Bond Mutual Fund -9	1,398,596	6.900

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University also held investments in equities denominated in the following currencies (U.S. dollar amounts in millions): Euro Dollar - $73.6, British Pound - $48.3, Japanese Yen - $44.0, Swiss Franc - $23.1, Brazilian Real - $10.0, Chinese Yuan - $13.4, Korean Won - $11.3, Canadian Dollar - $8.2, Australian Dollar - $6.6, Swedish Kroner - $8.3, Denmark Kroner - $8.2, Hong-Kong Dollar - $12.2, Indian Rupee - $6.6, South African Rand - $6.7, Taiwan Dollar - $6.4, and various other currencies totaling $25.4 million within the investment. State statute requires the State Treasurer to invest in domestic fixed income securities and does not allow foreign currency investments.

Concentration of Credit Risk

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

The State Treasurer purchases investments separate of the Treasurer's Pool for the Public School Permanent Fund. The Public School Permanent Fund has a concentration of credit risk because of the below listed corporate bond holdings that exceed 5 percent of the total investment in the fund category; General Electric Capital Corporation – 5.9 percent and Citigroup – 6.3 percent.

Unrealized Gains and Losses

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

(Amounts in Thousands)

	Fiscal Year 2013-14	Fiscal Year 2012-13
Governmental Activities:		
Major Funds		
General-General Purpose	$ 1,184	$ (12,770)
General-Special Purpose	1,174	(2,118)
Resource Extraction	2,468	(5,752)
Highway Users Tax	2,787	(14,367)
Capital Projects-Regular	471	(1,006)
Capital Projects-Special	11	(84)
State Education	4,116	(1,625)
NonMajor Funds:		
State Lands	(655)	(27,612)
Other Permanent Trusts	34	(112)
Labor	(1,432)	(3,598)
Gaming	335	(1,486)
Tobacco Impact Mitigation	259	(191)
Resource Management	64	(56)
Environment Health Protection	279	(1,758)
Other Special Revenue	597	(2,329)
Unclaimed Property	966	(6,773)
Information Technology	131	(172)
Highways (Internal Service)	-	(3)
Administrative Courts	3	(11)
Legal Services	13	-
Other Internal Service	-	(2)
Business-Type Activities:		
Major Funds		
Higher Education Institutions	138,831	52,328
Lottery	103	(392)
NonMajor Funds:		
CollegeInvest	217	(1,541)
Wildlife	331	(1,328)
College Assist	259	(736)
State Fair Authority	-	(5)
Correctional Industries	15	(65)
State Nursing Homes	48	(110)
Prison Canteens	11	(21)
Petroleum Storage Tank	20	(90)
Transportation Enterprise	972	(1,097)
Other Enterprise Activities	16	(100)
Fiduciary:		
Pension/Benefits Trust	159	(781)
Private Purpose Trust	525,314	306,724
	$ 679,101	$ 270,962

Component Units

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

Component Units – Non-Foundations

Except for guaranteed investment contracts (which are excluded), the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by State statute as described at the beginning of this Note 14. The authority's repurchase agreements, which are not held in the authority's name, were all subject to custodial credit risk because its trustee is considered both the purchaser and custodian of the investments. The Colorado Water Resources and Power Development Authority's investments at December 31, 2013, were:

(Amounts in Thousands)

	Total
INVESTMENT TYPE	
U.S. Government Securities	$ 104,228
Repurchase Agreements	86,234
TOTAL INVESTMENTS	$ 190,462

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

Credit Quality Risk

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

CoverColorado, a nonmajor component unit, holds bonds of U.S. Government agencies, corporate bonds guaranteed by U.S. Government agencies, and certificates of deposit insured by FDIC. The investments were rated Aaa by Moody's Investors Service at the dates of purchase.

Interest Rate Risk

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cash flow needs of its future bond debt service and holding those investments to maturity. The authority had $190.5 million of investments subject to interest rate risk with the following maturities; one year or less – 10 percent, two to five years – 26 percent, six to ten years – 29 percent, eleven to fifteen years – 24 percent, and sixteen years or more – 11 percent. The authority has entered into agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cash flow needs of its operations. The authority had $67.4 million of investments subject to modest interest rate risk that mature within twelve months or less.

Concentration of Credit Risk

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2013, all of its investments were placed in a single issuer and were therefore subject to concentration of credit risk.

Component Units – Foundations

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

At June 30, 2014, the University of Colorado Foundation held $331.5 million of domestic equity securities, $393.0 million of international equity securities, $152.9 million of fixed income securities and $528.1 million of alternative investments including real estate, private equities, hedge funds, absolute return funds, venture capital, oil and gas assets, and other investments. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment return of $161.2 million is net of $10.2 million of investment fees and comprises $15.0 million of interest dividends and other income, $62.9 million of realized gains, and $93.5 million of unrealized gains.

At June 30, 2014, the Colorado State University Foundation held $188.0 million of equity securities, $160.1 million of alternative investments (comprising hedge equities, absolute return, and private equity investments), $24.8 million of fixed income securities, and $2.8 million in cash and other investments.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 4.5 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment managers. At June 30, 2014 the CSMF held $306.6 million of investments, which consisted of $280.3 million held as a long-term investment pool, $9.7 million in beneficial interests in endowments, $9.6 million in split-interest agreements, $4.9 million in gift annuity agreements, $1.4 million in long-term trusts, and $0.7 million in other investments. Of the $280.3 million held as a long-term investment pool, $29.1 million was held in fixed income securities and mutual funds, $135.5 million in domestic and international equities, $108.1 million in hedge funds and venture capital, and $7.7 million in cash equivalents.

Thirty-nine percent of the Foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, they are carried at values reported by investment managers. These values may vary significantly from a valuation at a subsequent date.

At June 30, 2014, the University of Northern Colorado Foundation held $46.7 million of equity securities, $25.7 million of fixed income securities, and $52.6 million of cash and other investments. The foundation's investment income of $14.4 million is net of $0.4 million of management fees and comprises $2.0 million of interest and dividends and $12.8 million of realized and unrealized gains.

NOTE 15 – TREASURER'S INVESTMENT POOL

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

NOTE 16 – OTHER LONG-TERM ASSETS

The $785.7 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 $225.6 million and $58.2 million recorded in the General Purpose Revenue Fund and the Highway Users Tax Fund, respectively, are not segregated on the Balance Sheet – Governmental Fund, but are shown in Taxes Receivable and Restricted Receivables, respectively, and the taxes receivables are offset by unearned revenue.

The $459.8 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 ($7.7 million), a major special revenue fund, and the Resource Extraction Fund ($384.4 million), a major special revenue fund. This balance primarily comprises water loan activity. The Water Conservation Board makes water loans from the Water Projects Fund, part of the Resource Extraction Fund, to local entities for the purpose of constructing water projects in the State.

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

The $99.4 million shown as Other Long-term Assets on the Statement of Net Position – Proprietary Funds is primarily student loans issued by Higher Education Institutions, but also includes livestock.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2013-14 the State capitalized $33.8 million of interest incurred during the construction of capital assets. The majority of this interest was capitalized by Higher Education Institutions in the amount of $21.9 million, while the remainder was attributable to the Bridge Enterprise Program in the Department of Transportation.

In Fiscal Year 2011-12, the Department of Corrections decommissioned Fort Lyons Correctional Facility to implement operational efficiencies. Subsequently, the Colorado General Assembly authorized the Department of Local Affairs to prepare and operate the facility in Fiscal Year 2013-14 as a supportive residential community for the homeless. However, since its decommissioning the facility has remained idle. On June 30, 2014 it had a carrying value of $16.2 million. An asset impairment estimate has not been calculated since it is not known when the property deed transfer will occur.

The Department of Transportation recognized $18.8 in impairment (a reduction in carrying value) to roadway assets as a result of flood damage in September of 2013.

The schedule on the following page shows the capital asset activity for Fiscal Year 2013-14.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	86,938	$ 2,667	$ -	$ 3	$ 89,608
Land Improvements	6,248	-	1,028	-	7,276
Collections	11,002	-	-	(6)	10,996
Other Capital Assets	15	6,933	-	-	6,948
Construction in Progress (CIP)	1,145,432	623,734	(875,724)	(11,846)	881,596
Infrastructure	921,134	21	14,253	-	935,408
Total Capital Assets Not Being Depreciated	2,170,769	633,355	(860,443)	(11,849)	1,931,832
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	44,895	270	1,455	(64)	46,556
Buildings	2,122,112	21,692	540,924	(31,089)	2,653,639
Software	245,073	5,135	200	(386)	250,022
Vehicles and Equipment	714,869	89,632	7,210	(20,686)	791,025
Library Materials and Collections	6,031	390	-	(388)	6,033
Other Capital Assets	38,210	674	-	(45)	38,839
Infrastructure	10,406,020	54	310,654	(40,570)	10,676,158
Total Capital Assets Being Depreciated	13,577,210	117,847	860,443	(93,228)	14,462,272
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(26,746)	(1,842)	-	62	(28,526)
Buildings	(761,215)	(58,646)	-	8,402	(811,459)
Software	(146,983)	(24,053)	-	374	(170,662)
Vehicles and Equipment	(455,168)	(50,212)	-	11,937	(493,443)
Library Materials and Collections	(3,912)	(444)	-	389	(3,967)
Other Capital Assets	(28,306)	(3,012)	-	45	(31,273)
Infrastructure	(2,841,921)	(501,800)	-	21,202	(3,322,519)
Total Accumulated Depreciation	(4,264,251)	(640,009)	-	42,411	(4,861,849)
Total Capital Assets Being Depreciated, net	9,312,959	(522,162)	860,443	(50,817)	9,600,423
TOTAL GOVERNMENTAL ACTIVITIES	11,483,728	111,193	-	(62,666)	11,532,255
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	500,837	9,728	2,002	(5,408)	507,159
Land Improvements	16,625	302	(8)	(37)	16,882
Collections	22,455	1,002	-	(8)	23,449
Construction in Progress (CIP)	680,923	825,706	(681,224)	(16,897)	808,508
Other Capital Assets	-	-	-	-	-
Infrastructure	8,921	-	5,223	-	14,144
Total Capital Assets Not Being Depreciated	1,229,761	836,738	(674,007)	(22,350)	1,370,142
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	562,665	3,632	19,645	(903)	585,039
Buildings	6,938,835	13,636	409,009	(4,005)	7,357,475
Software	178,050	13,576	4,570	(1,276)	194,920
Vehicles and Equipment	921,001	80,300	11,645	(36,068)	976,878
Library Materials and Collections	502,533	20,507	-	(5,333)	517,707
Other Capital Assets	19,227	13	355	-	19,595
Infrastructure	160,526	-	228,783	(164)	389,145
Total Capital Assets Being Depreciated	9,282,837	131,664	674,007	(47,749)	10,040,759
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(290,764)	(24,282)	-	21	(315,025)
Buildings	(2,384,419)	(224,072)	-	2,227	(2,606,264)
Software	(89,842)	(30,054)	-	724	(119,172)
Vehicles and Equipment	(652,435)	(77,640)	-	29,401	(700,674)
Library Materials and Collections	(371,785)	(18,768)	-	3,340	(387,213)
Other Capital Assets	(825)	(357)	-	(95)	(1,277)
Infrastructure	(29,702)	(4,881)	-	147	(34,436)
Total Accumulated Depreciation	(3,819,772)	(380,054)	-	35,765	(4,164,061)
Total Capital Assets Being Depreciated, net	5,463,065	(248,390)	674,007	(11,984)	5,876,698
TOTAL BUSINESS-TYPE ACTIVITIES	6,692,826	588,348	-	(34,334)	7,246,840
TOTAL CAPITAL ASSETS, NET	$ 18,176,554	$ 699,541	$ -	$ (97,000)	$ 18,779,095

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

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 17,390
Business, Community, and Consumer Affairs	4,928
Education	15,434
Health and Rehabilitation	9,939
Justice	39,725
Natural Resources	1,023
Social Assistance	12,583
Transportation	521,471
Internal Service Funds (Charged to programs and BTAs based on useage)	17,516
Total Depreciation Expense Governmental Activities	640,009
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	361,078
State Lottery	960
Other Enterprise Funds	18,016
Total Depreciation Expense Business-Type Activities	380,054
Total Depreciation Expense Primary Government	$ 1,020,063

Component Units

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment of $140.8 million, net of accumulated depreciation of $79.1 million, at December 31, 2013. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

HLC @ Metro, Inc., a nonmajor component unit, reported $42.2 million of depreciable capital assets. The nondepreciable capital assets include $5.1 million for the use of land at below market rent, under an agreement with Metropolitan State University of Denver.

NOTE 18 Through 27 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

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

Administration of the Plan

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

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

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

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

Defined Retirement Benefits

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

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

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

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

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

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS was calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

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

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

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

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

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

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

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

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

Money Purchase Retirement Benefit

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

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who have 5 years of service and withdraw their accounts before reaching retirement eligibility and before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Members not having 5 years of service and not eligible for full or reduced retirement receive an employer matching contribution of one-half of their account balance measured at January 1, 2011. Contributions after January 1, 2011, are not eligible for the additional 50 percent match until the member earns five years of service credit. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective January 1, 2009, the rate was set at 3 percent and remained at the rate through June 30, 2014.

Disability and Survivor Benefits

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

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

B. FUNDING POLICY

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

The following table presents the Statutorily Required Contribution (SRC) percentages and the percentage amount of the SRC paid by the State for the last three fiscal years:

Time Period	Statutorily Required Contribution (SRC) Percentage			Percent of SRC Paid
	Judges	Troopers	Other	
Fiscal Year 2013-14				
1-1-14 to 6-30-14	17.36	20.15	17.45	100
7-1-13 to 12-31-13	17.36	19.25	16.55	100
Fiscal Year 2012-13				
1-1-13 to 6-30-13	17.36	19.25	16.55	100
7-1-12 to 12-31-12	17.36	18.35	15.65	100
Fiscal Year 2011-12				
1-1-12 to 6-30-12	14.86	15.85	13.15	100
7-1-11 to 12-31-11	14.86	14.95	12.25	100

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

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

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

The preceding contribution table reflects the increase required by the AED/SAED legislation. It also reflects the State increase of 2.5 percent at July 1, 2012 related to the restoration of the 8.0 percent member (employee) contribution.

The Fiscal Year 2013-14 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2013, to December 31, 2013, 15.53 percent was allocated to the defined benefit plan, and
- From January 1, 2014, to June 30, 2014 16.43 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the State Division of PERA had a funded ratio of 57.5 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

The State made the following retirement contributions:

- Fiscal Year 2013-14 – $406.2 million
- Fiscal Year 2012-13 - $368.5 million
- Fiscal Year 2011-12 - $276.3 million
- Fiscal Year 2010-11 - $256.7 million
- Fiscal Year 2009-10 - $291.9 million
- Fiscal Year 2008-09 - $277.2 million
- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (previously restated)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million

These amounts do not include the Health Care Trust Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

PERA's actuary calculates the amount of Annual Required Contribution (ARC) for the State Division, assuming a 30-year amortization period and Generally Accepted Accounting Principle parameters. The State of Colorado represents most, but not all, of the State Division.

The following table shows the three most recent calculations for the State Division ARC:

Calendar Year	$ Amount of ARC (Thousands)	ARC Percent of Payroll	Percent of ARC Contributed
2013	$495,241	20.01%	79%
2012	$393,991	16.52%	83%
2011	$326,274	13.63%	85%

The amount of ARC for calendar years 2010 and 2011 reflects a reduction of 2.5 percent for the State PERA contribution swap with employees from July 1, 2010 to June 30, 2012, while the decrease in the ARC and the increase in the percent of ARC contributed in 2011 resulted from plan changes in the 2010 legislative session.

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

C. OTHER PENSION CONTRIBUTIONS

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2013-14 and 2012-13, the Department of Local Affairs transferred $4.1 and $4.2 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

Employees of the Colorado Water Resources and Power Development Authority and CoverColorado are covered under the State Division of PERA discussed above.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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

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

Primary Government

PERA Health Care Trust Fund

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

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

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because State statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

Beginning July 1, 2004, the State contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The State paid contributions of $26.0 million, $24.9, million, $24.1 million, $24.3 million, and $24.6 million, in Fiscal Years 2012-13, 2011-12, 2010-11, 2009-10, and 2008-09, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2013. As of December 31, 2013, there were 53,041 participants, including spouses and dependents, from all contributors to the plan.

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

In the December 31, 2013, actuarial valuation, the entry age level dollar actuarial cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return and discount rate, and an aggregate three and nine-tenths percent projection of salary increases, both assuming a two and eighth-tenths percent inflation rate and productivity at one and one-tenth percent. Medical claims are projected to increase annually at various rates up to 5.91 percent based on different subsidy and premium options. The UAAL is being amortized as a level dollar amount on a level percent open basis over 30 years. Except for the discount rate these assumptions primarily affect plan assets available rather than the actuarial accrued liability because the benefit is a fixed subsidy amount.

University of Colorado – Other Postemployment Benefits Plan

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

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2013-14, the University contributed $16.6 million to the plan. Plan members contributed 0.28 percent of covered payroll (defined as the annual payroll of active employees covered by the plan) and the University contributed 1.0 percent of covered payroll.

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

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

(Amounts In Thousands)

Annual required contribution	$ 49,553
Interest on net OPEB obligation	7,443
Adjustment to annual required contribution	(10,154)
Annual OPEB cost (expense)	46,842
Contributions made	(16,648)
Increase/(Decrease) in net OPEB obligation	30,194
Net OPEB obligation - beginning of year	165,393
Net OPEB obligation - end of year	$ 195,587

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2013-14 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 46,842	35.5%	$ 195,587

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $406.8 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $406.8 million. The UAAL of the plan exceeds the Net OPEB Obligation (NOPEBO) due to the portion of the UAAL not required to be recognized as NOPEBO at the implementation of GASB Statement No. 45. The covered payroll was $1.1 billion, and the ratio of UAAL to covered payroll was 35.6 percent. The current valuation was calculated on the basis of the unit credit actuarial cost method. The actuarial assumptions included a four and one-half percent investment rate of return, and health care trend rates ranging from 6.5 to 8.0 percent in 2014, down to 5.0 percent in 2022. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

<u>Colorado State University – Other Postemployment Benefits Plans</u>

Colorado State University administers four single employer defined benefit healthcare plans. The Fiscal Year 2013-14 the University transferred assets into a qualifying trust for all four plans. The Retiree Medical Premium Refund Plan (RMPR) is open to new members and provides a monthly subsidy for medical premiums of up to $200 per month for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) is closed to new members and provides a monthly subsidy for medical premiums of up to $379 (reduced by the amount of premium subsidy provided by PERA) for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) closed to new members and supplements prescription benefits provided through PERA for employees with ten or more years of PERA service. The Long-Term Disability Insurance Plan (LTD) is open to new members and provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or until attained age between 65 and 70 years depending on when the employee became disabled. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans.

Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 555 S. Howes St., Fort Collins, CO 80523, or by going to: http://busfin.colostate.edu/finstmt.aspx.

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR, URX and LTD plans is set by the University in consultation with outside benefit consultants, under-writers, and actuaries. The subsidy amount under the RMPS increases annually in alignment with the increase in the cost of individual coverage under the lowest cost medical option. For Fiscal Year 2013-14, the University contributed $37.0 million to the RMPR at a contribution rate of one percent of covered earnings, $21.0 million to the RMPS at a 12.47 percent contribution rate, $0.6 million to the URX at 0.64 percent contribution rate, and $6.3 million to the LTD at a 0.40 percent contribution rate. Plan members are not required to contribute to any of the four plans. As of June 30, 2014, RMPR had 4,687 active members and 326 retired members or beneficiaries receiving benefits; the RMPS had 419 active members, 185 terminated but eligible members, and 506 retired members or beneficiaries receiving benefits; the URX had 419 active members, 543 terminated but eligible members, and 338 retired members or beneficiaries receiving benefits; and LTD had 4,608 active members and 28 retired members or beneficiaries receiving benefits.

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

As of the most recent actuarial valuation date of January 1, 2014, The RMPR was 106.8 percent funded, the RMPS was 39.3 percent funded, the URX 17.5 percent funded, and the LTD 46.2 percent funded with net assets of $36.3 million, $19.7 million, $0.5 million, and $5.4 million, respectively. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $34.0 million, $50.1 million, $2.8 million, and $11.6 million respectively, resulting in unfunded actuarial accrued liabilities of -$2.3 million, $30.4 million, $2.3 million and $6.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $285.0 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was -0.8 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

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

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

At June 30, 2014, RMPR was overfunded with a negative unfunded actuarial accrued liability of $2.3 million, a funded ratio of 106.8 percent, and a one-year amortization period; RMPS had an unfunded actuarial accrued liability of $30.4 million, a funded ratio of 39.3 percent, and a 24-year amortization period; URX had an unfunded actuarial accrued liability of $2.3 million, a funded ratio of 17.5 percent, and a 24-year amortization period; and LTD had an unfunded actuarial accrued liability of $6.2 million, a funded ratio of 46.2 percent, and a 30-year amortization period.

<u>Other Programs</u>

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

Component Units

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

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

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

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (such as COBRA and case management). Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the State's flexible spending account benefits plan. Effective July 1, 2013, premiums also included a fee to implement a statewide wellness program. During Fiscal Year 2013-14, covered employees who elected to participate in the wellness plan received a monthly health insurance premium credit of $10 or $20 depending on the level of participation.

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

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

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State Deferred Compensation Plan which was established for State and local government employees in 1981. At July 1, 2009, the State's administrative functions were transferred to PERA in a fiduciary to fiduciary transfer; all costs of administration and funding are borne by the plan participants. The 457 plan allows for voluntary participation to provide additional benefits at retirement, and all employees may contribute to the 457 plan. At conversion, State employees were the primary participants in the 457 plan. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2011-12 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had net position of $643.6 million and 17,462 participants.

C. Other Retirement Plans

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the 457 plan, the defined contribution plan, and the defined benefit plan. In calendar year 2013, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution, which was restored from the temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, could make an additional $5,500 in 2012, for total contributions of $23,000. Contributions and earnings are tax deferred. On December 31, 2013, the plan had net position of $2,509.8 million and 68,691 accounts.

PERA Defined Contribution Retirement Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. On July 1, 2009, administration of the State's defined contribution plan was transferred to PERA and participants of the State's plan became participants of the PERA defined contribution plan. Existing State plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The contribution rate was restored from the temporary increase in Fiscal Years 2010-11 and 2011-12 to 10.5 percent (12.5 percent for State Troopers). At December 31, 2013, the plan had a net position of $113.5 million and 4,719 participants.

The financial statements for the PERA Deferred Compensation Plan, the PERA 401k Plan, and the PERA Defined Contribution Plan can be found within PERA's financial statements as referenced at the beginning of Note 18.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized State institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the State's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The State made contributions to other retirement plans of $125.4 million and $112.0 million during Fiscal Years 2013-14 and 2012-13, respectively. In addition, the

State paid $89.0 million and $95.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2013-14 and 2012-13, respectively.

D. Termination Benefits

The University of Colorado provides an early retirement incentive program to tenured professors who are at least 55 years of age, whose age and years of service combined equal at least 70, and who participate in the University's optional retirement plan. The time period for the arrangement is from calendar year 2010 to 2016. The incentive is equal to twice the base salary and supplemental pay and requires the immediate relinquishment of tenure status. In Fiscal Year 2013-14 78 faculty members participated in the program at a present value accrued cost of $10.9 million, with an assumed discount rate of 5 percent.

Component Units

Employees of the Colorado Water Resources and Power Development Authority may voluntarily contribute to the PERA 401k Defined Contribution Pension Plan discussed above.

NOTE 21 – RISK MANAGEMENT

Primary Government

The State currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. Per statute, individual Department property claims have a $5,000 deductible per occurrence. Claims brought under state law are limited to $350,000 per person and $990,000 per accident pursuant to the Colorado Governmental Immunity Act, CRS 24-10-101. The Risk Management Fund is reported as a Special Purpose General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the State. Property claims are not self-insured; the State has purchased $50.0 million of excess insurance ($10.0 million deductible), $450.0 million of property loss insurance ($500,000 deductible). Individual department property claims have a $5,000 deductible. Flood insurance is also purchased for properties in flood zones designated by FEMA that may carry a higher deductible. The State has also purchased excess liability coverage for automotive liability outside Colorado for $5.0 million per occurrence ($2.0 million deductible), and $10.0 million of employee dishonesty loss coverage ($250,000 deductible). Settlements have not exceeded insurance coverage in any of the three prior years.

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

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

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

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

From January 1, 2000 through June 30, 2005, the State and its employees purchased insurance for medical claims. Beginning July 1, 2005, the State returned to the self-funding approach (used prior to January 1, 2000) for medical claims except for stop-loss insurance purchased for claims over $350,000 per individual. In Fiscal Year 2013-14, the State recovered approximately $4.1 million related to the stop-loss insurance claims. The State's contribution to medical premiums is subject to appropriation by the legislature each year, and State employees pay the difference between the State's contribution and the premium required to meet actuarial estimates. Since the amount of the State contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund.

The State recorded $11.7 million of insurance recoveries during Fiscal Year 2013-14. Of that amount approximately $239,077 was related to asset impairments that occurred in prior years. The remaining $11.5 million relates to the current year and was primarily recorded by Group Benefits Plans (including the $4.1 million, as noted above), a Pension and Other Employee Benefits Fund, and $2.0 million by Higher Education in the Higher Education Institutions Fund.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the University's self-insurance program. An actuary projects the self-insured plan's undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $1.0 million per worker's compensation claim, and $1.25 million per general liability claim. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

University of Colorado tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $350,000 per person and $990,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2013-14, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Anschutz Medical Campus. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $285,000 per person and $10.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2013-14 for this program. There have been no claims against the aggregate stop-loss insurance in the previous three years; however, the University collected $181,032 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty and staff for medical malpractice through the University of Colorado Self-Insurance Trust, consistent with the limits of governmental immunity and over $500,000 per claimant. For claims outside of governmental immunity, the Trust has purchased stop-loss insurance to cover claims greater than $1.5 million per occurrence and $8.0 million in aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2013-14, however, the University collected $127,115 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2012 through 2014.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $275,000. The related liability is based on underwriting review of claims history and current data. The University is self-insured for worker's compensation up to $500,000 and has purchased reinsurance for individual claims up to statutory limits. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

The Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $10.0 million and additional insurance purchased for claims up to $15.0 million, for a total of $25.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. The University also carries cyber risk liability insurance up to $5.0 million ($100,000 deductible for cyber extortion; $20,000 deductible for foreign notification; and $10,000 deductible for crisis management and public relations). The University also purchased $1.0 million of international liability insurance, $25.0 million of aviation liability insurance ($1,000 deductible), and $1.0 million of unmanned aerial vehicles liability insurance. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, professional liability, property, auto, and worker's compensation risks primarily through the purchase of insurance. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2005-06. The University has purchased $3.0 million of general liability insurance ($0 deductible), $3.0 million of professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($25,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $1.0 million of employee fraud insurance ($5,000 deductible), $500.0 million of property insurance ($25,000 deductible), and $2.0 million umbrella liability (10,000 self-insured retention). There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Fort Lewis College manages worker's compensation risks primarily through the purchase of insurance. The College has purchased $500,000 of worker's compensation insurance ($5,000 deductible). Before Fiscal Year 2010-11, the College was covered under the State's risk management program. The College retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, 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 $420.1 million ($10,000 deductible), $2.0 million of general liability ($0 deductible), $5.0 million of fine arts insurance ($2,500 deductible, with a $25,000 deductible for flood and earthquake). The College has also purchased $1.0 million of employee dishonesty insurance ($10,000 deductible). Before Fiscal Year 2011-12, the College was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado Mesa University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance ($1,000 deductible). Before Fiscal Year 2010-11, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2009-10. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in the past three fiscal years.

Colorado Mesa University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability insurance ($0 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2010-11. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Western State Colorado University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased $500,000 of worker's compensation insurance ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2011-12. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 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 $1,000,000 ($1,000 deductible). Before Fiscal Year 2012-13, the University was covered under the State's risk management program. The University retains a small amount of self insurance risk from taking over claims previously covered by State risk management from Fiscal Year 2012-13. There were no significant reductions in insurance coverage in Fiscal Year 2013-14, and the amount of settlements has not exceeded insurance coverage in Fiscal Years 2012-13 or 2013-14.

Adams State University manages worker's compensation risks primarily through the purchase of insurance. The University has purchased worker's compensation insurance of $500,000 per occurrence ($500 deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Adams State University manages general liability risks primarily through the purchase of insurance. The University has purchased general liability for auto, fidelity, liability and fire insurance of $1.0 million per occurrence (no deductible). Before Fiscal Year 2011-12, the University was covered under the State's risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2013-14 and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2013-14	29,194	(2,094)	3,705	23,395
2012-13	29,883	4,715	5,404	29,194
2011-12	24,733	9,981	4,831	29,883
Workers' Compensation				
2013-14	119,689	32,911	32,000	120,600
2012-13	109,609	50,525	40,445	119,689
2011-12	110,322	32,853	33,566	109,609
Group Benefit Plans:				
2013-14	12,647	162,025	160,424	14,248
2012-13	13,695	138,851	139,899	12,647
2011-12	13,904	146,285	146,494	13,695
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	10,962	11,715	8,232	14,445
2012-13	10,015	7,694	6,747	10,962
2011-12	9,977	4,722	4,684	10,015
University of Colorado Denver:				
Medical Malpractice				
2013-14	5,448	3,798	2,107	7,139
2012-13	5,655	1,196	1,403	5,448
2011-12	5,126	2,472	1,943	5,655
Graduate Medical Education Health Benefits Program				
2013-14	1,386	8,595	8,270	1,711
2012-13	1,408	6,806	6,828	1,386
2011-12	1,291	7,121	7,004	1,408
Colorado State University:				
Medical, Dental, and Disability Benefits and General Liability				
2013-14	32,540	40,337	39,322	33,555
2012-13	28,948	36,300	32,708	32,540
2011-12 (Restated)	30,282	28,817	30,151	28,948
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2013-14	101	69	89	81
2012-13	57	133	89	101
2011-12	21	108	72	57
Fort Lewis College:				
Worker's Compensation				
2013-14	3	18	-	21
2012-13	301	(298)	-	3
2011-12	315	133	147	301
General Liability				
2013-14	-	-	-	-
2012-13	167	(167)	-	-
2011-12	307	-	140	167
Adams State University				
Workers' Compensation				
2013-14	-	-	-	-
2012-13	-	-	-	-
2011-12	35	-	35	-
General Liability				
2013-14	-	-	-	-
2012-13	11	(11)	-	-
2011-12	158	-	147	11
Colorado Mesa University:				
Workers' Compensation				
2013-14	67	26	76	17
2012-13	67	56	56	67
2011-12	140	(6)	67	67
General Liability				
2013-14	118	(30)	88	-
2012-13	118	259	259	118
2011-12	21	130	33	118
Western State Colorado University:				
Workers' Compensation				
2013-14	110	-	96	14
2012-13	208	(70)	28	110
2011-12	185	122	99	208
General Liability				
2013-14	20	(20)	-	-
2012-13	-	20	-	20

Component Units

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss, and is self-insured for any director or officer legal liability.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2014, the State had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease (Before Depreciation)

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 62,847	$ 233,841
Business-Type Activities	-	31,147	35,814
Total	$ 735	$ 93,994	$ 269,655

At June 30, 2014, the State expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 144	$ 544	$ 688
Business-Type Activities	-	111	111
Total	$ 144	$ 654	$ 798

During the year ended June 30, 2014, the State incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 24	$ 24
Total	$ -	$ 24	$ 24

Colorado State University Research Foundation (CSURF), a related party, is a not-for-profit Colorado corporation, established to aid and assist the institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. Support provided by the Foundation to the institutions (Colorado State University and Colorado State University – Pueblo) includes patent and licensing management, finance and acquisition of research and educational facilities, and acquisition and management of equipment and land. Colorado State University paid CSURF $740,896 in Fiscal Year 2013-14 for leased space, and at June 30, 2014 had total future lease obligations for leased space of $3.4 million. It also paid CSURF $2.5 million during the fiscal year for equipment and vehicles and had total future lease obligations for leased equipment and vehicles of $8.3 million.

In Fiscal Year 2013-14, the Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the Community College's main campus.

For Fiscal Year 2013-14, the State recorded building and land rent of $52.0 million and $21.6 million for governmental and business-type activities, respectively. The State also recorded equipment and vehicle rental expenditures of $12.6 million and $39.6 million for governmental and business-type activities, respectively. The above amounts were payable to entities external to State government and do not include transactions with the State's fleet management program.

The State recorded $4.4 million of lease interest costs for governmental activities and $1.5 million for business-type activities.

The State entered into approximately $22.3 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, 2014, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2015	$ 49,068	$ 21,716	$ 32,039	$ 7,842
2016	40,754	17,743	29,240	7,931
2017	27,882	12,813	26,097	7,203
2018	25,103	11,285	20,191	4,954
2019	20,629	9,057	16,396	3,316
2020 to 2024	64,594	22,590	57,089	12,408
2025 to 2029	19,205	5,465	19,352	6,069
2030 to 2034	1,476	631	4,709	683
2035 to 2039	892	631	-	-
2040 to 2044	661	631	-	-
2045 to 2049	661	400	-	-
2050 to 2054	661	-	-	-
Total Minimum Lease Payments	251,586	102,962	205,113	50,406
Less: Imputed Interest Costs			30,117	8,214
Present Value of Minimum Lease Payments	$ 251,586	$ 102,962	$ 174,996	$ 42,192

Component Units

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2018. Total rental expense for the year ended December 31, 2013 was $117,479. The total minimum rental commitment as of December 31, 2013 is $586,388.

Effective October 1, 1999, the University of Colorado Foundation entered into an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which was $0.3 million at June 30, 2014. Total minimum lease payments including interest at June 30, 2014, were $0.3 million. The net book value of property and equipment under the capital lease was $5.8 million net of accumulated depreciation of $5.2 million as of June 30, 2014. In May 2014 the lessor pledged to give $3.5 million to the Foundation instead of making a nonreciprocal transfer of the building, with a promise to pay no later than October 31, 2014. The Foundation booked the pledge to contribute in Fiscal Year 2013-14.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2014 was $166,253. The total minimum rental commitment under the leases was $158,600 at June 30, 2014.

NOTE 23 – SHORT-TERM DEBT

On July 10, 2013 the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes (GTRAN), Series 2013A. The notes were due and payable on June 27, 2014, at a coupon rate of 1.33 percent. The total interest related to this issuance was $6.4 million; however, the notes were issued at a premium of $5.6 million resulting in net interest costs (including the cost of issuance) of $940,274 and a yield of 0.17 percent. The notes were issued for cash management purposes and were repaid before June 27, 2014, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes and lend the proceeds to local school districts in anticipation of local school district revenues to be collected at a later time. On July 16, 2013, the State Treasurer issued $130.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013A. The notes were due and payable on June 27, 2014, at a coupon rate of 1.25 percent. The total interest related to this issuance was $1.5 million; however, the notes were issued at a premium of $1.3 million, resulting in net interest costs (including cost of issuance) of $431,151 or 0.17 percent. The notes matured on June 27, 2014 and were repaid.

On January 6, 2014, the State Treasurer issued $210.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2013B. The notes were due and payable on June 27, 2014, at a coupon rate of 2.00 percent. The total interest related to this issuance was $2.0 million; however, the notes were issued at a premium of $1.9 million, resulting in net interest costs (including cost of issuance) of $266,370 or 0.11 percent. The notes matured on June 27, 2014, and were repaid.

The following schedule shows the changes in short-term financing for the period ended June 30, 2014:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	$ -	340,000	$ (340,000)	-
Total Governmental Activities Short-Term Financing	-	840,000	(840,000)	-
Total Short-Term Financing	$ -	$ 840,000	$ (840,000)	$ -

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

Primary Government

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

During Fiscal Year 2013-14 the State's governmental activities had $167.3 million of federal and State revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the State's business-type activities had $1,099.6 million of available net revenue after operating expenses to meet the $638.2 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 36.)

During Fiscal Year 2013-14 the State recorded $248.5 million of interest costs, of which $78.7 million was recorded by governmental activities and $169.9 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $26.6 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, $17.8 million of interest on Certificates of Participation issued by the Judicial Branch, and $25.7 of interest on Certificates of Participation issued by the State Treasurer for the Building Excellent Schools Today program. The business-type activities interest cost primarily comprises $145.8 million of interest on revenue bonds issued by institutions of higher education, $11.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program, $6.3 million of interest on bonds issued by the Bridge Enterprise in the Transportation Enterprise, and $5.7 million of interest on Unemployment Insurance Fund's federal loan and revenue bonds. College Assist and the Transportation Enterprise are nonmajor enterprise funds.

Annual maturities of notes, bonds, and COPs payable at June 30, 2014, are as follows:

(Amounts in Thousands)

	Governmental Activities							
Fiscal	Revenue Bonds		Notes Payable		Certificates of Participation		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 147,225	$ 20,104	$ 2,135	$ 359	$ 38,550	$ 50,278	$ 187,910	$ 70,741
2016	157,220	10,268	2,045	317	41,710	48,223	200,975	58,808
2017	126,100	2,680	2,090	275	42,805	47,143	170,995	50,098
2018	-	-	2,135	231	43,990	45,956	46,125	46,187
2019	-	-	2,175	187	52,550	53,586	54,725	53,773
2020 to 2024	-	-	6,805	285	229,465	204,470	236,270	204,755
2025 to 2029	-	-	-	-	306,499	163,593	306,499	163,593
2030 to 2034	-	-	-	-	259,185	100,992	259,185	100,992
2035 to 2039	-	-	-	-	140,590	49,600	140,590	49,600
2040 to 2044	-	-	-	-	68,785	16,330	68,785	16,330
2045 to 2049	-	-	-	-	18,250	738	18,250	738
Subtotals	430,545	33,052	17,385	1,654	1,242,379	780,909	1,690,309	815,615
Unamortized Prem/Discount	13,336	-	-	-	25,490	-	38,826	-
Totals	$ 443,881	$ 33,052	$ 17,385	$ 1,654	$ 1,267,869	$ 780,909	$ 1,729,135	$ 815,615

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2015	$ 222,642	$ 171,276	$ 1,294	$ 121	$ 19,805	$ 18,545	$ 243,741	$ 189,942
2016	226,688	166,198	1,380	104	20,749	17,686	248,817	183,988
2017	229,637	160,452	1,389	61	21,679	16,720	252,705	177,233
2018	106,854	154,100	609	19	22,749	15,662	130,212	169,781
2019	112,571	149,679	71	6	23,709	14,502	136,351	164,187
2020 to 2024	590,239	673,409	76	15	138,336	52,624	728,651	726,048
2025 to 2029	669,663	524,665	7	-	110,533	17,608	780,203	542,273
2030 to 2034	696,293	348,140	-	-	24,800	1,064	721,093	349,204
2035 to 2039	594,886	168,907	-	-	-	-	594,885	168,907
2040 to 2044	282,520	35,150	-	-	-	-	282,520	35,150
2045 to 2049	11,795	677	-	-	-	-	11,795	677
Subtotals	3,743,788	2,552,653	4,826	326	382,360	154,411	4,130,973	2,707,390
Unamortized Prem/Discount	193,079	-	(16)	-	21,401	-	214,464	-
Unaccreted Interest	(10,629)	-	-	-	-	-	(10,629)	-
Totals	$ 3,926,238	$ 2,552,653	$ 4,810	$ 326	$ 403,761	$ 154,411	$ 4,334,808	$ 2,707,390

In March 2008, the Colorado School of Mines entered a derivative instrument agreement (interest rate swap) as an effective hedge against expected increasing interest costs on its variable rate debt. See Note 28 for additional information.

Assuming current interest rates are applied over the term of the debt, at June 30, 2014, 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
2015	$ 625	$ 53	$ 1,398	$ 2,076
2016	625	52	1,377	2,054
2017	675	51	1,354	2,080
2018	975	50	1,325	2,350
2019	550	49	1,300	1,899
2020 to 2024	3,900	232	6,149	10,281
2025 to 2029	8,150	197	5,214	13,561
2030 to 2034	13,600	120	3,192	16,912
2035 to 2039	11,685	29	782	12,496
2040 to 2044	-	-	-	-
Totals	$ 40,785	$ 833	$ 22,091	$ 63,709

The original principal amount of the State's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,488,500	$ 21,205	$ 1,282,685	$ 2,792,390
Business Type Activities	4,687,724	9,488	475,373	$ 5,172,585
Total	$ 6,176,224	$ 30,693	$ 1,758,058	$ 7,964,975

Component Units

In February 2011, the University of Colorado Foundation renewed a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carries an interest rate tied to the LIBOR index floating rate plus 175 basis points. In April 2014 the Foundation set up a new one-year, committed, unsecured line of credit for $10 million with the same bank. The new credit line carries an interest rate tied to the Daily One Month LIBOR plus 150 basis points. No amounts were outstanding at June 30, 2014.

Debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2013, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2014	$ 50,165	$ 34,960	$ 85,125
2015	45,415	32,732	78,147
2016	46,430	30,654	77,084
2017	45,685	28,502	74,187
2018	43,720	26,353	70,073
2019 to 2023	187,050	103,460	290,510
2024 to 2028	160,210	65,102	225,312
2029 to 2033	123,800	33,857	157,657
2034 to 2038	61,255	6,292	67,547
2039 to 2043	4,680	545	5,225
Total Future Payments	$ 768,410	$ 362,457	$ 1,130,867

The original principal amount for the outstanding bonds was $1,485.4 million. Total interest paid during 2013 was $35.9 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds are insured as to payment of principal and interest by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The Water Resources Revenue Bonds, Series 2004B, 2004C, 2004D, 2004E, Series 2005A, 2005E and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B, 2005C, 2005D, Series 2008A, Series 2009A, Series 2010A, 2011A and 2013A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. The authority can issue up to $150.0 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds, and as of December 31, 2013, it had $13.9 million of these bonds outstanding.

Metropolitan State University of Denver has unconditionally guaranteed the debt service on bonds issued by the Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority and transferred to HLC @ Metro, Inc. in October 2010. Bonds of $54.9 million were issued to finance the University's Hotel and Hospitality Learning Center. The debt service requirements to maturity for HLC @ Metro, Inc. at June 30, 2014, are as follows:

(Amounts in Thousands)

Fiscal Year	Principal	Interest	Total
2015	$ 410	$ 3,219	$ 3,629
2016	710	3,202	3,912
2017	825	3,178	4,003
2018	1,075	3,138	4,213
2019	1,250	3,090	4,340
2020 to 2024	6,935	14,551	21,486
2025 to 2029	8,225	12,473	20,698
2030 to 2034	9,980	9,636	19,616
2035 to 2039	12,235	6,043	18,278
2040 to 2043	13,240	1,605	14,845
Total Future Payments	$ 54,885	$ 60,135	$ 115,020

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2013-14:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 3,413	$ 3,109	$ (3,405)	$ 3,117	$ 2,978
Accrued Compensated Absences	149,368	17,599	(10,505)	156,462	10,470
Claims and Judgments Payable	370,324	757	(7,867)	363,214	61,623
Capital Lease Obligations	151,010	47,335	(23,349)	174,996	26,941
Bonds Payable	593,460	-	(149,580)	443,880	147,225
Certificates of Participation	1,192,854	214,748	(139,732)	1,267,870	38,550
Notes, Anticipation Warrants, Mortgages	19,220	170	(2,005)	17,385	2,135
Other Long-Term Liabilities	444,118	21,125	(62,289)	402,954	-
Total Governmental Activities Long-Term Liabilities	2,923,767	304,843	(398,732)	2,829,878	289,922
Business-Type Activities					
Accrued Compensated Absences	252,938	37,985	(22,658)	268,265	18,117
Claims and Judgments Payable	38,993	3,858	(1,869)	40,982	-
Capital Lease Obligations	41,728	7,570	(7,106)	42,192	6,610
Derivative Instrument Liabilities	8,333	447	(214)	8,566	-
Bonds Payable	3,791,503	414,577	(239,058)	3,967,022	223,267
Certificates of Participation	424,954	-	(21,193)	403,761	19,805
Notes, Anticipation Warrants, Mortgages	3,521	2,326	(1,037)	4,810	1,294
Other Postemployment Benefits	177,176	28,825	(24,490)	181,511	-
Other Long-Term Liabilities	38,497	9,038	(1,024)	46,511	-
Total Business-Type Activities Long-Term Liabilities	4,777,643	504,626	(318,649)	4,963,620	269,093
Fiduciary Activities					
Deposits Held In Custody For Others	754,454	599,972	(749,748)	604,678	598,712
Accrued Compensated Absences	37	19	(1)	55	-
Other Long-Term Liabilities	645	4,065	(2)	4,708	-
Total Fiduciary Activities Long-Term Liabilities	755,136	604,056	(749,751)	609,441	598,712
Total Primary Government Long-Term Liabilities	$ 8,456,546	$ 1,413,525	$ (1,467,132)	$ 8,402,939	$ 1,157,727

The beginning balance was restated to exclude $20.0 million in governmental activities and $87.9 million in business type Activities in unamortized refunding gains and losses. With the implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, unamortized refunding losses are reported as deferred outflows.

Accrued compensated absences liabilities of both governmental activities and the business-type activities are normally liquidated using resources of the fund that are responsible for paying the employee's salary. As a result, the resources of nearly all of the State's funds are used to liquidate the compensated absence liability.

The amounts shown in the schedule above for Notes, Bonds, and Certificates of Participation do not include short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Claims and Judgments Payable, Derivative Instrument Liabilities, Other Post Employment Benefits in business-type activities and Other Long-Term Liabilities in both governmental activities and business type activities.

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

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

At June 30, 2014, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Position*:

The $403.0 million shown for governmental activities primarily comprises:

- $237.7 million of tax refunds payable at the Department of Revenue, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Purpose Revenue Fund and Highway Users Tax Fund. Payment is not expected within one year.
- $162.7 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $2.5 million of unclaimed property liabilities estimated to be due to claimants.

The $46.5 million (including $1.7 million Due to Component Units) shown for business-type activities primarily comprises $21.3 million of unearned revenue in Higher Education Institutions, the most significant balances of which relate to an early retirement incentive program and an alternate Medicare program at the University of Colorado ($9.8 million and $9.5 million, respectively). The High Performance Transportation Enterprise in the Department of Transportation includes $23.4 million payable under a Transportation Infrastructure Finance and Innovation loan.

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 876,845	$ 108,290	$ (216,725)	$ 768,410	$ 50,165
Other Long-Term Liabilities	$ 162,301	$ 50,997	$ (60,643)	$ 152,655	$ 100,580

Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority were primarily contained in its Drinking Water Fund, accounting for $13.7 million of the $31.9 million total. Other long-term liabilities of the Water Pollution Control Fund and Water Operations Fund were $9.4 million and $8.8 million respectively. Thirty-four percent of total, other long-term liabilities ($11.0 million) were related to project costs payable – amounts not yet requisitioned – on loans made to local government borrowers.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), two charitable lead trusts, a minor pooled income fund, charitable remainder trusts held by others, and perpetual trusts. Charitable gift annuity assets are immediately available to the foundation. After termination of charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Position – Component Units.* Actuarially determined life expectancies and applicable rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift.

Changes in the value of investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Position – Component Units*. At June 30, 2014, the foundation held $45.5 million of split interest agreement investments with $20.7 million of related liabilities and reported $6.0 million of net beneficial interest in charitable trusts held by others.

At June 30, 2014, the University of Colorado Foundation held $324.8 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Position – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

At June 30, 2014, the Colorado State University Foundation held $15.0 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Position – Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2014, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $14.5 million; related liabilities of $9.8 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as part of Other Long-Term Liabilities on the *Statement of Net Position – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $9.8 million mentioned above and total $4.9 million. At June 30, 2014, CSMF reported $35.0 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Position – Component Units* as Deposits Held in Custody.

CoverColorado, a nonmajor component unit, reserved $22.3 million for health policy claims. On the *Statement of Net Position – Component Units,* this liability is reported as Claims and Judgments Payable.

NOTE 26 – DEFEASED DEBT

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2013-14, debt was defeased in both governmental and business-type activities.

At June 30, 2014, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 134,640
Department of Treasury	$ 18,240
Department of Corrections	$ 94,330
Business-Type Activities:	
University of Colorado	$ 372,905
Colorado State University	$ 254,675
Colorado School of Mines	$ 14,975
Western State College	$ 13,280
University of Northern Colorado	$ 55,252
Colorado Mesa University	$ 45,510
Community College System	$ 4,740
Total	$ 1,008,547

The Department of Corrections issued $111,780,000 of its Certificates of Participation, Series 2013 to fully defease $71,980,000 of its Certificates of Participation, Series 2006B and $25,165,000 of its Certificates of Participation, Series 2010. The defeased debt had an interest of 3.61 percent, and the new debt had an interest rate of 2.23 percent. The remaining term of the debt was 7.6 years and the estimated debt service cash flows decreased by $1,535,926. The defeasance resulted in an economic loss of $16,248,253 and a book loss of $6,040,261 that will be amortized as an adjustment of interest expense over the remaining 4.2 years of the new debt.

The Board of Trustees of the Colorado School of Mines used available cash of $9,299,432 to fully defease its 2009A Enterprise Refunding Improvement Revenue Bonds. The defeased debt had an interest of 5.00 to 5.25 percent, and the new escrow deposit has an interest rate of 0.88 to 4.88 percent. The remaining term of the debt was 23.6 years and the term of the new escrow deposit is 4 years. The estimated debt service cash flows decreased by $2,048,092. The refunding resulted in an economic gain of $1,296,832 and a book loss of $1,764,700 that will be amortized as an adjustment of interest expense over 4 years.

The Board of Trustees of the University of Northern Colorado issued $52,465,000 of its Institutional Enterprise Revenue Refunding Bonds, Series 2014A to partially defease its 2005 Auxiliary Revenue Refunding and Improvement Bonds. The defeased debt had an interest of 4.96 percent, and the new debt has an interest rate of 3.45 percent. The remaining term of the debt was 21 years and the term of the new debt is 21 years. The estimated debt service cash flows decreased by $5,592,412. The refunding resulted in an economic gain of $3,955,122 and a book loss of $799,172 that will be amortized as an adjustment of interest expense over 21 years.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Various State agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund-level *Statement of Net Positions*

The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the Department of Public Health and Environment (DPHE).

The State's total amount of pollution remediation obligations as of June 30, 2014 was $172.3 million ($9.6 million of which was a current liability). Superfund sites account for approximately $165.8 million ($3.1 million of which was a current liability) of the State's total pollution remediation obligation. Other pollution obligations of the State generally include remediation activities related to asbestos abatement and removal, land contamination, and leaking underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- DPHE recorded a liability for remediation activities at the Summitville Mine of approximately $82.1 million related to the operation of a water treatment plant. The new water treatment plant was completed in Fiscal Year 2011-12, and the operating and maintenance costs of the new plant are to be shared with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in calendar year 2023, the State will assume 100 percent of the operating costs of the new plant, estimated at $3.4 million annually. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact operating costs. As of June 30, 2014, the State has received $7.5 million in recoveries from other responsible parties.

- DPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $52.6 million related to a number of inactive precious metal mines that caused contamination in surface water and soil in the basin. The liability includes remediation and site clean-up activities, projected post-remediation operating and monitoring costs, the State operation of an existing water treatment plant, and operation of a new water treatment plant whose construction commenced in 2013. Current operating and maintenance costs are borne 100 percent by the State. The State's share of the costs to complete the remaining remediation projects is estimated to total $2.2 million through 2016. Beginning in 2016, the department will share these costs with the EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA for 10 years, after which time the State assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.3 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the State have agreed upon a remediation plan from a recently completed engineering study. Two remedial design projects on surface and subsurface water have been completed. The cost-sharing ratio of 10 percent State, 90 percent EPA, is expected to end in 2018 at which time the State assumes 100 percent of the cost. Construction cost estimates were based upon an engineering study and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- DPHE recorded a liability for remediation activities at the Nelson Tunnel of approximately $16.8 million related to the clean-up of contamination from mine waste piles and drainage. The liability includes the construction of a water treatment plan from 2014 to 2016. The State will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent State, 90 percent EPA until 2027, after which time the State assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the State. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.

- The University of Colorado recorded a liability for remediation activities at its Boulder Campus of approximately $6.2 million related to water damage to many structures caused by excessive rain. In September 2013, the campus incurred damage to 110 of its buildings, two of its parking lots, one of its pedestrian bridges, and several of its underground tunnels. An environmental firm assessed the facilities and determined that the damage be considered an environmental hazard. The accrued liability is based upon the estimate provided by environmental firm and the University's Facilities Management project managers. Insurance recoveries are expected to cover the full cost and a receivable of $6.2 million has been recorded for the recoveries.

NOTE 28 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

With the implementation of GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, certain items previously recognized as assets and liabilities were reclassified to a deferred outflows of resources, a consumption of assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, 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, 2014.

(Amounts in Thousands)

	Governmental Activities	Business-Type Activites
Deferred Outflow of Resources:		
Derivatives	-	997
Refunding Loss	18,289	117,106
	18,289	**118,103**
Deferred Inflow of Resouces		
Nonexchange Transactions	338	-
	338	**-**

DEFERRED OUTFLOWS

A. DERIVATIVE INSTRUMENTS

On March 5, 2008, the Colorado School of Mines entered into an interest rate swap agreement in connection with its Variable Rate Demand Enterprise Refunding Revenue Bonds Series 2008A debt issuance. The swap agreement was not terminated with the refunding of the Series 2008A bonds by the Series 2010A Refunding Bonds issued in 2010. This agreement continues to qualify as a hedging derivative instrument per GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows of resources in the Statement of Net Position, and accordingly, the State recognized a deferred outflows $1.0 million as of June 30, 2014.

The Swap Agreement is a cash flow hedge and was entered into with the objective of protecting against the potential of rising interest rates on existing variable rate revenue bonds. The Agreement, with an original notional amount of $43.2 million and current notional amount of $41.4 million, provides for net settlement payments to or from Morgan Stanley equal to the difference between the Agreement's fixed rate of 3.59 percent (payable by the School) and 67 percent of the one-month British Bankers' Association London Interbank Offering Rate (payable by Morgan

Stanley), which was 0.10 percent at June 30, 2014. Cash flows between the parties are settled on the net difference. The market value to Colorado School of Mines as of June 30, 2014 was $8.6 million liability as determined by Morgan Stanley, counterparty to the Swap Agreement. The Agreement has an effective date of March 5, 2008, and a termination date of December 1, 2037. The derivative is reported under Noncurrent Liabilities on the *Statement of Net Position*.

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

- Termination Risk – Terminating the transaction while the market value is negative would likely require a termination payment by the School.

- Credit Risk – This is the risk that the counterparty will not fulfill its obligations. The School does not consider this a significant risk due to the counterparty's credit quality rating.
- Basis Index Risk – Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow by the School. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, the School's policy requires indices used in an interest rate swap agreement to be recognized market indices.

DEFERRED INFLOWS

B. NONEXCHANGE TRANSACTIONS

Deferred inflows are recorded for grant receipts when all of the eligibility requirements for the grant have been met except the time requirement. As of June 30, 2014, the Department of Health Care Policy and Financing held $0.3 million in receipts awaiting the passage of time.

C. REFUNDING LOSSES

Primary Government

Losses on debt refunding transactions are recorded as deferred outflows and generally amortized over the life of the new debt. On June 30, 2014, deferred outflows in governmental activities related to unamortized refunding losses included $12.3 million in the Department of Transportation and $6.0 in the Department of Corrections. All of the unamortized refunding losses in business-type activities were in Higher Education Institutions.

Component Unit

The Colorado Water Resources and Power Development Authority recorded $4.5 million as a deferred outflow of resources for costs and losses of issuing current and advance refunding bonds. The Authority also recorded $0.7 million in deferred inflows of resources for bond refunding gains.

NOTES 29 Through 32 – DETAILS OF NET POSITION AND FUND BALANCE

NOTE 29 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

A. PRIOR PERIOD ADJUSTMENTS

The beginning net position/fund balance was restated as a result of the following prior period adjustments.

	Government-Wide Statements					
			Major Governmental Fund	Major Proprietary Fund		
Subject	Governmental Activities	Business-Type Activities	Other Special Revenue Funds	Higher Education Institutions	Unemployment Insurance	Internal Service Funds
Healthy Forest	285,000	(285,000)	285,000	(285,000)		
Fleet Management	1,433,302					1,433,302
Prepaid Interest Correction		2,417,691			2,417,691	
Benefit Liability Correction		(9,055,461)			(9,055,461)	
	1,718,302	(6,922,770)	285,000	(285,000)	(6,637,770)	1,433,302

A total of $285,000 moved from business-type activity in Higher Education Institutions to governmental activity in Other Special Revenue Funds when the Department of Public Safety transferred the Healthy Forests and Vibrant Communities Fund to the Wildfire Preparedness Fund. The transfer also required a decrease of $285,000 to the beginning cash balance on the *Statement of Cash Flows–Proprietary Funds.*

Governmental activities increased by $1,433,302 in Internal Service Funds when Central Services within the Department of Personnel and Administration, failed to record accumulated depreciation related to its fleet management activities in prior years.

Business-type activities increased by $2,417,691 in Unemployment Insurance when the Department of Labor and Employment failed to reflect a portion of the interest expense related to its bonds as a prepaid expense.

Business-type activities decreased by $9,005,461 in Unemployment Insurance when the Department of Labor and Employment failed to record benefits payable at the end of the prior year. As an electronic funds transfer liability, this adjustment also decreased the beginning cash balance on the *Statement of Cash Flows-Proprietary Funds*.

Amounts shown in this note are actual balances and do not agree to amounts shown on financial statements due to rounding on the statements.

Component Unit

The beginning Net Position on the *Statement of Revenues, Expenses, and Changes in Net Position - Component Units* increased by $5,221,377 when HLC @ Metro, Inc. failed to properly account for the use of land below fair market value in prior years.

B. ACCOUNTING CHANGES

During Fiscal Year 2013-14, the State implemented GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities. As a result of this implementation, certain items previously reported as assets or liabilities were expensed or reclassified as deferred outflows of resources or deferred inflows of resources.

The table below shows the reclassified item and the effect of these changes to the beginning fund balance or beginning net position on the government-wide Statement of Activities and the fund-level statements as listed.

	Government-Wide Statements		Fund-Level Statements				
			Major Governmental Fund	Major Proprietary Fund			
Reclassified Item	Governmental Activities	Business-Type Activities	Resource Extraction	Higher Education Institutions	Unemployment Insurance	Other Enterprise	Internal Service Funds
Long-Term Loans Receivable for Loan Commitment Fee	850,683		850,683				
Deferred Debt Issuance Costs	(12,147,841)	(30,471,367)		(26,677,580)	(1,862,674)	(1,931,113)	(64,075)
Adjustment Related to the Accounting Change	(11,297,158)	(30,471,367)	850,683	(26,677,580)	(1,862,674)	(1,931,113)	(64,075)

NOTE 30 – FUND BALANCE

On the *Balance Sheet – Governmental Funds,* the fund balance comprises the following (See Note 6I for additional details.):

(Amounts in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
GENERAL FUND:			
General Government	$ 263,740	$ 374,576	$ 7,651
Business, Community and Consumer Affairs	-	36,590	-
Education	196,922	-	-
Justice	8,096	-	-
Natural Resources	-	196	-
TOTAL	$ 468,758	$ 411,362	$ 7,651
RESOURCE EXTRACTION:			
General Government	$ 63,500	$ 3,911	$ -
Business, Community and Consumer Affairs	-	170,921	-
Education	-	15,299	-
Natural Resources	13,870	879,922	-
TOTAL	$ 77,370	$ 1,070,053	$ -
HIGHWAY USERS TAX:			
General Government	$ 8,608	$ 9,970	$ -
Health and Rehabilitation	12	2,179	-
Justice	-	1,778	-
Transportation	1,071,581	27,090	-
TOTAL	$ 1,080,201	$ 41,017	$ -
CAPITAL PROJECTS:			
General Government	$ -	$ 262,646	$ -
Education	-	6,818	-
Health and Rehabilitation	-	36	-
Justice	3,298	1,135	-
Natural Resources	-	49	-
TOTAL	$ 3,298	$ 270,684	$ -
STATE EDUCATION:			
Education	$ 1,091,998	$ -	$ -
TOTAL	$ 1,091,998	$ -	$ -
OTHER GOVERNMENTAL FUNDS:			
General Government	$ 143,344	$ 277,541	$ -
Business, Community and Consumer Affairs	57,005	241,935	-
Education	25,251	48,346	-
Health and Rehabilitation	11,417	121,596	-
Justice	32,988	185,322	-
Natural Resources	10,210	17,168	-
Social Assistance	-	36,228	-
Transportation	13,635	1,012	-
TOTAL	$ 293,850	$ 929,148	$ -

The significant fund balances held for restricted purposes as of June 30, 2014, include:

- $253.1 million in the General Fund in the General Government function from bond proceeds issued by the Building Excellent Schools Today (BEST) program and held by the State Treasurer to fund public school construction.
- $177.6 million in the General Fund in the Education function related to the BEST program; a portion in cash from bond proceeds issued by the Treasurer and a portion in local school district matching funds restricted for public school fund construction under a settlement agreement.
- $1,071.6 million in the Highway Users Tax Fund in the Transportation function from motor fuels tax and fees that pursuant to Article X, Section of the State Constitution is restricted for highway construction and maintenance.
- $1,092.0 million in the State Education Fund in the Education function from 0.33 percent of income taxes is restricted for educational purposes pursuant to Article IX, Section 17 of the State Constitution.
- $83.0 million in the Other Governmental Funds in the General Government function represents a portion of the TABOR emergency reserve recorded in the Major Medical Fund, $44.2 million of investments recorded in Building Excellent Schools Today Fund and $9.9 million recorded in the Tobacco Tax Fund.

The significant fund balances held for committed purposes as of June 30, 2014, include:

- $249.2 million in the General Fund in the General Government function represents the portion of the $410.9 million representing the five percent statutory reserve available on a GAAP basis (see Note 6I).
- $137.4 million in the Resource Extraction Fund in the Business, Community, and Consumer Affairs function from severance tax and federal mineral leasing moneys held for the Department of Local Affairs for distribution to local governments.
- $211.1 million in the Resources Extraction Fund in the Natural Resources function represents severance tax receipts held by the Department of Natural Resources, $384.0 million represents cash balances and loans receivable for loans issued to local governments by the Colorado Water Conservation Board, $178.7 million in cash and $205.3 million in loans, and $138.2 million represents long term severance tax loans receivables.
- $297.2 million primarily in the Other Governmental Funds in the General Government function represents $113.3 million in the Unclaimed Property Fund, $62.4 million in Lottery Funds, $26.1 million in Medical Marijuana License Fund, and $5.1 million in Energy Efficiency Project Fund.
- $262.7 million primarily in the Capital Projects funds in the General Government function represents $121.7 million held in cash and $135.3 million receivables in the Regular Capital Projects fund.
- $222.2 million in Other Governmental Funds in the Business, Community and Consumer Affairs function primarily represents $94.7 million in the Major Medical Fund, $42.0 million in the Clean and Renewable Energy Fund, and $27.9 million in the Workmen's Compensation Fund.
- $121.6 million in the Other Governmental Funds in the Health and Rehabilitation function primarily represents $33.2 million in the Natural Resources Damage Recovery Fund, $24.4 million in the Hazardous Substances Response Fund, $14.1 million in the Medical Marijuana Cash Fund, and $12.4 million in the Nutrients Grant Fund.
- The $185.4 million in Other Governmental Funds in the Justice function primarily represents $83.5 million in the Disaster Emergency Fund.

NOTE 31 – STABILIZATION ARRANGEMENTS

In accordance with C.R.S. 24-75-201.1(d) the State maintains a General Purpose Revenue Fund statutory reserve for purposes of budget stabilization. The reserve is calculated as five percent of General Purpose Revenue Fund appropriations. C.R.S. 24-75-201.5(1)(a) further requires the Governor to take action within the fiscal year to preserve one half of the reserve when economic forecasts indicate revenues will not be adequate to maintain the required reserve. In conjunction with the Governor's actions to reduce expenditures, the legislature has traditionally taken action to use the reserve. Historically, the statutory reserve has only been expended during recessionary periods when other budget measures have been exhausted. In Fiscal Year 2013-14 there was no use of the reserve. As of June 30, 2014, on a legal budgetary basis the reserve was $410.9 million. On a GAAP basis only $ 249.2 million was available for the reserve (see Note 6I).

Article XXIV Section 7 of the State Constitution created the Old Age Pension Stabilization Fund, which is reported as a component of the General Fund – Special Purpose Funds. The fund is maintained at $5.0 million and is only accessible through appropriation for old age pension basic minimum awards. Historically, the reserves in the fund have not been accessed.

NOTE 32 – MINIMUM FUND BALANCE POLICIES

The appropriations process and statutory structure that governs State fiscal matters generally does not provide for the ability to set aside fund balances outside of those processes. However, in limited circumstances boards and committees have fiscal policy and/or rulemaking authority. The following minimum fund balances were established under this type of authority.

Pursuant to Rule 8.2003.D, the Hospital Provider Fee Oversight Advisory Board has established a reserve of four percent of the estimated expenditures for the Hospital Provider Fee Cash Fund plus any interest accrued by the fund. For Fiscal Year 2013-14 the maximum that could be held in reserve was $38.5 million. The reserve acts as a buffer to minimize the need for midyear fee increases in the event that expenditures are higher than estimated. The minimum fund balance is reported as Committed in the nonmajor Health and Environmental Protection Fund.

NOTE 33 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2014, were:

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SELLER'S / LENDER'S RECEIVABLE	General Fund	Resource Extraction	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund				
General Purpose	$ 6,913	$ -	$ 1,217	$ -
Special Purpose	15,052	-	-	-
Resource Extraction	30,028	-	-	82
Highway Users	547	-	-	-
Regular Capital Projects	135,336	-	-	-
Special Capital Construction	-	-	-	-
State Education	83,936	-	-	-
Higher Education Institutions	2,447	245	92	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Labor	70,132	-	-	-
Gaming	-	-	-	-
Tobacco Impact Mitigation	68	-	-	-
Environment and Health Protection	10,013	10,000	-	-
Unclaimed Property	-	-	-	-
Other Special Revenue	102	-	-	-
PERMANENT FUNDS:				
State Lands Trust	-	-	-	-
State Lands Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	-	-	25	-
Correctional Industries	10	-	-	-
State Nursing Homes	1,185	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Information Technology	1,042	-	14	-
Public Safety	-	-	-	-
Legal Services	-	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	24,005	-	1	-
Treasurer's Private Purpose	-	-	-	-
College Savings Plan	-	-	-	-
College Opportunity	12	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 380,828	$ 10,245	$ 1,349	$ 82

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	State Lottery	All Other Funds	Total
$ 174	$ -	$ 27,344	$ 35,648
-	16,939	7,965	39,956
-	-	5,258	35,368
-	-	4,731	5,278
-	-	-	135,336
-	-	222	222
-	-	-	83,936
-	-	2,698	5,482
-	-	-	70,132
-	-	100	100
-	-	2,157	2,225
-	-	461	20,474
-	-	3	3
-	-	2,008	2,111
-	-	14,084	14,084
-	-	7,607	7,607
208	3,051	212	3,496
1,338	-	-	1,348
-	-	-	1,185
4	-	-	4
-	-	-	1,056
4	-	-	4
-	-	2	2
386	-	-	24,392
-	-	801	801
-	-	5,700	5,700
-	-	-	12
-	10,520	-	10,520
$ 2,114	$ 30,510	$ 81,353	$ 506,482

Except for the transfer of general fund surplus discussed below; all of the material receivables and related payables shown in the schedule on the previous two pages are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the State's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

general fund surplus transfers in the amount of $210.8 million are comprised of the following: $135.3 million to the Capital Projects Fund; $38.6 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund. The remainder of the transfers will occur after the publication date of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

The General Purpose Revenue Fund receivable of $27.3 million from All Other Funds primarily includes $11.8 million of receivables from the Limited Gaming Fund, $7.2 million from various cash funds to support incurred Medicaid expenditures.

The Special Purpose General Fund receivable of $15.1 million primarily includes $3.3 million legislative reversions and $10.7 million in personal services and operating line item reversions, payable to the Legislative Department Cash Fund and State Employee Reserves Fund, respectively.

The Special Purpose General Fund receivable of $16.9 million from the State Lottery primarily consists of a payable recorded by the Conservation Trust Fund for $12.2 million, and in the Building Excellent Schools Today Grant Program in the amount of $4.7 million.

The Labor Fund receivable of $70.1 million from the General Purpose Revenue Fund includes $70.0 million transferred into the Disaster Emergency Fund.

The Group Benefits Plan Fund receivable of $24.0 million from the General Purpose Revenue Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The State Lands Trust receivable of $14.1 million represents the transfers from the Land Board into the Building Excellent Schools Today Grant Program in the approximate amount of $6.9 million and into the Public School Permanent Fund in the approximate amount of $7.2 million.

The Other Fiduciary Fund receivable of $10.5 million was recorded by the State Treasurer for the Great Outdoors Colorado Fund. This is a statutory distribution of the Lottery net proceeds.

NOTE 34 – TRANSFERS BETWEEN FUNDS

Transfers between funds for the fiscal year ended June 30, 2014, were as follows:

TRANSFER-OUT FUND	General Fund	Resource Extraction	Highway Users Tax
MAJOR FUNDS:			
General Fund:			
General Purpose	$ 3,167,118	$ 30,000	$ -
Special Purpose	65,914	-	-
Resource Extraction	84,157	-	-
Highway Users Tax	53,713	-	-
Capital Projects:			
Regular Capital Projects	-	-	500
Special Capital Projects	3	-	-
State Education	561	-	-
Higher Education Institutions	3,911	-	-
Unemployment	3,441	-	-
Lottery	57,268	-	-
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Labor	29,453	605	-
Gaming	16,413	600	-
Tobacco Impact Mitigation	74,628	-	-
Resource Management	525	-	-
Environment and Health Protection	637,120	-	5,000
Unclaimed Property	2,717	-	-
Other Special Revenue	118,154	-	5,462
PERMANENT FUNDS:			
State Lands Trust Nonexpendable	1,167	-	-
State Lands Trust Expendable	102,378	-	-
Other Permanent Trust Nonexpendable	-	-	-
ENTERPRISE FUNDS:			
CollegeInvest	21	-	-
Wildlife	12,801	298	-
College Assist	60	-	-
State Fair	108	-	-
Correctional Industries	641	-	-
State Nursing Homes	1,815	-	-
Prison Canteens	80	-	-
Petroleum Storage	1,240	-	-
Other Enterprise	317	-	-
INTERNAL SERVICE FUNDS:			
Central Services	877	-	-
Information Technology	627	-	-
Capitol Complex	2,453	-	-
Public Safety	11	-	-
Administrative Courts	171	-	-
Legal Services	3,264	-	-
Other Internal Service	2,148	-	-
FIDUCIARY FUNDS:			
Group Benefit Plans	60	-	-
Other Fiduciary	101	-	-
TOTAL	$ 4,445,436	$ 31,503	$ 10,962

TRANSFER-IN FUND

Capital Projects	State Education	Higher Education Institutions	All Other Funds	TOTAL
$ 325,566	$ 83,936	$ 143,129	$ 160,073	$ 3,909,822
-	-	-	62,141	128,055
507	-	3,730	22,594	110,988
1,500	-	-	171,838	227,051
-	-	31,768	22,008	54,276
1,493	-	-	10,757	12,253
-	-	6,735	18,001	25,297
-	-	-	-	3,911
-	-	-	-	3,441
-	-	-	13,011	70,279
-	-	-	-	30,058
1,754	-	5,811	2,115	26,693
7,262	-	13,720	1,477	97,087
-	-	-	75	600
166	-	-	17,210	659,496
-	-	-	2,159	4,876
248	`	-	15,905	139,769
1,152	-	1,026	456	3,801
-	-	108	22	102,508
-	-	-	7	7
-	-	-	-	21
-	-	-	225	13,324
-	-	-	-	60
-	-	-	-	108
-	-	-	-	641
-	-	-	-	1,815
-	-	-	-	80
313	-	-	-	1,553
-	-	-	-	317
-	-	-	-	877
-	-	-	-	627
-	-	-	133	2,586
-	-	-	-	11
-	-	-	-	171
-	-	-	1,737	5,001
-	-	-	-	2,148
-	-	-	-	60
-	-	-	52	153
$ 339,961	$ 83,936	$ 206,027	$ 521,996	$ 5,639,821

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the State's resources to programs shown in the above schedule. The most significant of these are the transfers-out of the General Purpose Revenue Fund and into the State Public School Fund (a Special Purpose General Fund) of $2,985.3 million, and into the Higher Education Institutions of $143.1 million (primarily for student financial aid, occupational education, and job training). Additionally, in Fiscal Year 2013-14, a portion of the general fund surplus was accrued in the amount of $215.0 million and are comprised of the following: $135.3 million to the Capital Projects Fund; $38.6 million to the State Education Fund; $30.0 million to the Resource Extraction Fund; $1.0 million to the Economic Development Fund (a Special Purpose General Fund); and $10.0 million to the Environment and Health Protection Fund (an Other Special Revenue Fund). On September 15, 2014, these transfers were distributed with the exception of the portion of capital construction funds related to controlled maintenance projects and a residual amount to the State Education Fund transfer which will be distributed at the completion of the State's Fiscal Year 2013-14 Comprehensive Annual Financial Report in December 2014.

In addition to these General Purpose Revenue Fund transfers, other individually significant routine transfers include the following:

Transfers-out from the General Purpose Revenue Fund include $186.7 million to fund controlled maintenance and capital projects.

Transfers-out from the General Purpose Revenue Fund includes $45.3 million to the State Education Fund.

Transfers-out from the General Purpose Revenue Fund to all other funds primarily includes $15.4 million to support the Children's Basic Health Plan, $11.7 million for deposit into the Correctional Treatment Cash Fund, $7.7 million deposited into the Marijuana Cash Fund, $15.0 million transferred into the Nutrients Cash Fund, and $9.8 million transferred into the Wildfire Risk Reduction Fund. Also included is $70.0 transferred to the Disaster Emergency Fund.

Transfers-out from the special-purpose funds within the General Fund primarily comprises $58.9 million in transfers from the Public School Fund to the Charter School Institute Fund.

Transfers-out from the Special-Purpose Funds to All Other Funds primarily includes $50.9 million authorized by the Governor through executive orders into the Disaster Emergency Fund to cover wildfire and flood expenditures.

The Resource Extraction transfer-out to the Special Purpose General Fund includes a $73.1 million transfer from the Mineral Leasing Fund to the State Public School Fund.

The Highway Users Tax Fund transfer-out to the General Purpose Revenue Fund includes $41.7 million transferred to the Department of Revenue and $9.1 million to the Department of Public Safety to support programs that generate revenue for or that provide services to the Highway Users Tax Fund.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.8 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery transfer-out to the Special Purpose General Fund primarily comprises $52.0 million to the Conservation Trust Fund in the Department of Local Affairs as a statutory distribution of Lottery net proceeds.

The Labor transfer-out to the General Purpose Revenue Fund includes $24.4 million from the Employment Support Fund to fund employment related activities at the Department of Labor and Employment.

The Tobacco Impact Mitigation Fund transfers-out to the General Purpose Revenue Fund includes $71.2 million in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Environment and Health Protection transfer-out to the General Purpose Revenue Fund includes $637.1 million in transfers to the Department of Health Care Policy and Financing primarily from the Hospital Provider Fee Cash Fund ($580.4 million) and the Medicaid Nursing Facility Cash Fund ($45.0 million).

Transfers from the Other Special Revenue to the General Purpose Revenue Fund also include approximately $105.8 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Purpose Revenue Fund that are in addition to appropriated indirect cost transfer.

The State Lands Trust Expendable transfer-out to the General Fund includes $101.9 million for the State Public School Fund (a Special Purpose General Fund) related to distributions to school districts and charter schools.

NOTE 35 – DONOR RESTRICTED ENDOWMENTS

The State's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no State law that governs endowment spending. Donor Restricted endowments appreciation totaled $11.2 million. The individually significant items are as follows:

The University of Colorado reported net appreciation on endowment investments of $9.9 million that was available for spending. The university reported the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may also be expended.

Colorado State University reported $0.99 million of net appreciation on its donor-restricted endowments primarily held by its foundation that was available for spending. The university reported a portion of the related net position in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net position in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Position – Proprietary Funds*. The payout policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

NOTE 36 – PLEDGED REVENUE

Various institutions of higher education and the Highway Users Tax Fund have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, and the construction of facilities and infrastructure. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2013-14, the following pledges were in place:

The Department of Transportation pledged $167.3 million of federal grants under agreement with the Federal Highway Administration and certain motor vehicle fees and taxes of the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes. The debt was originally issued in Fiscal Year 1999-00 to finance the reconstruction of a portion of a major interstate highway through Denver and other infrastructure projects across the State, and it has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents approximately 13.0 percent of the total revenue stream, and $463.6 million of the pledge commitment remains outstanding.

The Department of Transportation Statewide Bridge Enterprise pledged $111.4 million of federal highway funds, Build America Bonds, and surcharges to meet the current year interest payments on debt issued for construction activities related to the Funding Advancement for Surface Transportation and Economic Recovery (FASTER) Bridge Program. The debt was originally issued in Fiscal Year 2010-11, and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the revenue stream, and $661.7 million of the pledge commitment remains outstanding.

The Department of Labor and Employment pledged $374.9 million of Unemployment Insurance (UI) Premium collections to secure $387.3 of principal and interest on debt issued to stabilize unemployment insurance rates. The debt was issued in Fiscal Year 2013-14, and has a final maturity date of Fiscal Year 2016-17. The pledged revenue represents 100 percent of the revenue stream, and $387.3 million of the pledge commitment (principal and interest) remains outstanding.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 2002-03 and furthest maturity date of Fiscal Year 2044-45. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $704.6 million. Individually significant Higher Education Institution pledges include:

- $296.1 million pledged by the University of Colorado to secure $120.4 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 will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2042-43. The pledged revenue represents approximately 48.0 percent of the revenue stream, and $2.3 billion of the pledge (principal and interest) remains outstanding.
- $207.7 million pledged by Colorado State University to secure $41.5 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the total revenue stream, and $ 1.2 billion of the pledge (principal and interest) remains outstanding.
- $38.6 million pledged by the Colorado School of Mines to secure $16.0 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt will be issued in Fiscal Year 2014-15 and has a final maturity date of Fiscal Year 2044. The pledged revenue represents approximately 81.0 percent of the total revenue stream and $368.1 million of the pledge (principal and interest) remains outstanding.
- $26.9 million pledged by Metropolitan State University of Denver to secure $5.1 million of

current principal and interest on debt issued to finance the construction, expansion, or renovation of certain academic facilities. The related debt was originally issued in Fiscal Year 2009-10 and has a final maturity date of Fiscal Year 2040-41. The pledged revenue represents 100 percent of the total revenue stream, and $116.1 million of the pledge (principal and interest) remains outstanding.

- $22.6 million pledged by Colorado Mesa University to secure $10.0 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2006-07 and has a final maturity date of Fiscal Year 2041-42. The pledged revenue represents approximately 57.2 percent of the revenue stream and $332.8 million of the pledge (principal and interest) remains outstanding.

- $29.2 million pledged by the University of Northern Colorado to secure $8.2 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 34.8 percent of the total auxiliary and student fee revenue streams and also represents 100.0 percent of gross tuition revenues. $223.3 million of the pledge (principal and interest) remains outstanding.

- $18.2 million pledged by Colorado State University – Pueblo to secure $4.0 million of current principal and interest on debt issued to finance construction, remodeling, and acquisition of the Student Center, recreation facilities and student housing facilities. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2043-44. The pledged revenue represents 100 percent of the revenue stream, and $176.1 million of the pledge (principal and interest) remains outstanding.

- $9.5 million pledged by the Fort Lewis College to secure $4.3 million of current principal and interest on debt issued to finance construction new residence hall, expansion and renovation of the student center, and various energy conservation improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents 40.9 percent of the revenue stream, and $85.8 million of the pledge (principal and interest) remains outstanding.

- $7.8 million pledged by the Western State Colorado University to secure $6.0 million of current principal and interest on debt issued to finance a new student apartment complex and a new sports complex. The related debt was originally issued in Fiscal Year 2008-09 and has a final maturity date of Fiscal Year 2044-45. The pledged revenue represents 43.8 percent of the revenue stream, and $194.3 million of the pledge (principal and interest) remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

Agency Name	Gross Revenue	Direct Operating Expense	Available Net Revenue	Debt Service Requirements: Principal	Interest	Total
Department of Transportation	$ 1,240,588	$ (1,073,259)	$ 167,329	$ 147,225	$ 20,104	$ 167,329
Higher Education Institutions	1,170,939	(557,627)	613,312	94,581	138,121	232,702
Labor - Unemployment Insurance	374,885	-	374,885	374,885	12,386	387,271
Statewide Bridge Enterprise	111,365	-	111,365	-	18,234	18,234
	$ 2,897,777	$ (1,630,886)	$ 1,266,891	$ 616,691	$ 188,845	$ 805,536

NOTE 37 – SEGMENT INFORMATION

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

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement functions for professional services provided by the University of Colorado Denver teaching hospital. UPI is also a component unit of the State that is blended into the Higher Education Institutions Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a related party unit of the State.

The Auraria Higher Education Center's parking segment charges students, faculty and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for the use of its facilities. This segment is part of the Higher Education Institutions Enterprise.

The following page presents condensed financial information for the State's segments.

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO	AURARIA HIGHER EDUCATION CENTER	
	UNIVERSITY PHYSICIANS INCORPORATED	PARKING FACILITIES	STUDENT FACILITIES
ASSETS:			
Current Assets	$ 181,671	$ 11,229	$ 10,441
Other Assets	171,795	5,027	48
Capital Assets	45,166	46,138	24,928
Total Assets	398,632	62,394	35,417
LIABILITIES:			
Current Liabilities	45,905	3,299	4,362
Noncurrent Liabilities	14,879	43,066	25,844
Total Liabilities	60,784	46,365	30,206
NET POSITION:			
Net Investment in Capital Assets	29,224	4,530	(2,361)
Restricted for Permanent Endowments:			
Expendable	-	-	-
Restricted Net Position	-	4,354	2,047
Unrestricted	308,624	7,145	5,525
Total Net Position	$ 337,848	$ 16,029	$ 5,211

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES:			
Tuition and Fees	$ -	$ -	$ 5,263
Sales of Goods and Services	621,304	9,333	18,877
Other	-	-	56
Total Operating Revenues	621,304	9,333	24,196
OPERATING EXPENSES:			
Depreciation	3,944	1,693	1,947
Other	564,322	4,950	21,267
Total Operating Expenses	568,266	6,643	23,214
OPERATING INCOME (LOSS)	53,038	2,690	982
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income	25,175	381	51
Gifts and Donations	(9,889)	-	-
Other Nonoperating Revenues	12	-	-
Debt Service	(24)	(2,021)	(954)
Other Nonoperating Expenses	-	-	-
Total Nonoperating Revenues(Expenses)	15,274	(1,640)	(903)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Transfers-In	-	-	-
Total Contributions, Transfers, and Other	-	(1,094)	(1,456)
CHANGE IN NET POSITION	68,312	(44)	(1,377)
TOTAL NET POSITION - FISCAL YEAR BEGINNING RESTATED	269,536	16,073	6,588
TOTAL NET POSITION - FISCAL YEAR ENDING	$ 337,848	$ 16,029	$ 5,211

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

NET CASH PROVIDED (USED) BY:			
Operating Activities	$ 53,175	$ 4,233	$ 2,785
Noncapital Financing Activities	(9,889)	(966)	(111)
Capital and Related Financing Activities	(4,353)	(17,866)	(2,133)
Investing Activities	(38,711)	389	51
NET INCREASE (DECR.) IN CASH AND POOLED CASH	222	(14,210)	592
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	66,903	24,744	5,802
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 67,125	$ 10,533	$ 6,394

NOTE 38 – COMPONENT UNITS

The State reports nine component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity, Statement No. 39 – Determining Whether Certain Organizations Are Component Units, and Statement No. 61 – The Financial Reporting Entity: Omnibus-An Amendment to GASB Statements No. 14 and No. 34. The State's component units are separated into major, and nonmajor below. Financial statements for the major component units are presented in the Basic Financial Statements and for the nonmajor component units in the Supplementary Section of the Comprehensive Annual Financial Report.

A. MAJOR COMPONENT UNITS

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. It is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. Its primary revenue sources are income from invested bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and EPA grants. The authority paid the State $7.9 million during 2013 for services provided by two State departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income In May 2013 the Foundation Board of Directors passed a resolution directing the Foundation to cede fundraising activities to the University of Colorado in advance of finalizing a new Operating Agreement with the University. Therefore, in Fiscal Year 2013-14 the Foundation did not receive the $5.1 million of fund raising fee revenue from the University of Colorado as it had in the previous fiscal year. In Fiscal Year 2013-14 the Foundation continued as the fiduciary of gift assets.

For the fiscal year ended June 30, 2014, the foundation distributed $109.2 million of gifts and income to or for the benefit of the University of Colorado and other beneficiaries.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2013-14, the foundation transferred $49.7 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to provide program, scholarship and other support to the University of Northern Colorado. The foundation's primary revenue is derived from contributions and investment income. During Fiscal Year 2013-14, the foundation granted $5.6 million to the University and paid $1.9 million to the University for contract expenses. At June 30, 2014 the Foundation owed the University $2.4 million.

B. NONMAJOR COMPONENT UNITS

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

CoverColorado is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program. In March 2010 with the passage of the Patient Protection and Affordable Care Act, the need for high risk insurance pools such as CoverColorado was eliminated. CoverColorado will continue to pay claims through 2014 and will cease operations by March 31, 2015.

The Venture Capital Authority (VCA) was established in the 2004 legislative session as a means to create new business opportunities in the State and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority

$50.0 million of insurance-premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale, and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Position - Component Units* to reflect the contribution of capital by the State.

In 2005, the authority created Colorado Fund I, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund I, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. As of December 31, 2013, the VCA has contributed approximately $25.1 million or 115 percent of its total funding commitment to Colorado Fund I, LP.

In 2010 the authority created Colorado Fund II, LP and has committed to providing up to $25.4 million over the term of the fund (through December 2019 unless otherwise terminated). As of December 31, 2013, the VCA has contributed approximately $17.8 million or 70 percent of its total funding commitment to Colorado Fund II, LP.

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

NOTE 39 – RELATED PARTIES AND ORGANIZATIONS

University of Colorado Denver Anschutz Medical Campus enters into related-party transactions with the University of Colorado Hospital Authority (UCHA) under contracts that support the University's medical education mission. During Fiscal Year 2013-14, under these contracts, UCHA paid the University $47.5 million and the University paid UCHA $11 million. Not included in these amounts are $0.8 million in reimbursements during the fiscal year made by UCHA to the University for salaries and benefits of state classified employees who work at UCHA, and for whom the University is responsible. At June 30, 2014 the University had accounts receivable from UCHA for $2.9 million, and had accounts payable to UCHA for $30,000.

The University of Colorado Health and Welfare Trust exists to provide healthcare benefits to employees of the Trust members, who are the University of Colorado, the University of Colorado Hospital Authority and University Physicians, Inc. The Trust provides healthcare benefits on a self-insured basis where risks are transferred to the pool. The University is not financially accountable for the Trust. During Fiscal Year 2013-14 the Trust paid medical claims on behalf of the University of $121. 7 million. The University contributed $135.5 million to the Trust and its employees contributed $16.1 million. At June 30, 2014 the University had accounts receivable from the Trust for $302,000 and accounts payable to the Trust for $396,000.

The Colorado State University – Pueblo Foundation was established to benefit Colorado State University Pueblo. The Foundation transferred $1.9 million in cash and $39,689 in in-kind assets to the University in Fiscal Year 2013-14. At June 30, 2014 the University had an account receivable from the Foundation for $1.7 million.

The Adams State University Foundation provides scholarships and work-study grants to students, and program development grants to Adams State University. The Foundation provided $1.2 million in scholarships, grants and operating expense reimbursements during Fiscal Year 2013-14.

The Colorado Mesa University Foundation provides financial assistance to Colorado Mesa University students and assists the University in serving educational needs. In Fiscal Year 2013-14, the Foundation awarded $747,100 in scholarship funds directly to students. Also in Fiscal Year 2013-14, the Colorado Mesa University Real Estate Foundation donated $4.4 million in property to the University. At June 30, 2014 Colorado Mesa University has an account receivable of $96,280 with the Colorado Mesa University Foundation.

The Fort Lewis College Foundation exists to support Fort Lewis College. During Fiscal Year 2013-14 the Foundation funded $1.0 million for scholarships and passed through $1.3 million in grants for program support. At June 30, 2014 the Fort Lewis College Foundation owed the College $210,823.

Metropolitan State University of Denver Foundation, Inc. was organized and is operated to promote the general welfare and development of Metropolitan State University of Denver. The foundation provided $2.1 million of funding to the University in Fiscal Year 2013-14. The foundation also reimbursed the University $186,469 for services provided by University employees. At June 30, 2014 the Foundation owed the University $361,658 and the University owed the Foundation $204,592.

Western State Colorado University Foundation was established to aid Western State Colorado University in fulfilling its educational mission. The Foundation transferred $3.9 million to the University in Fiscal Year 2013-14.

Most of the State's community colleges have established foundations to assist in their educational missions. With the exception of Community College of Aurora, Pueblo Community College and Red Rocks Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000.

In Fiscal Year 2013-14 the Community College of Aurora Foundation provided grants and scholarships totaling $404,913 to the Community College of Aurora, and the College reimbursed the Foundation for administrative salaries and other expenses totaling $1.2 million.

The Pueblo Community College Foundation provided Pueblo Community College $819,610 in the form of scholarships, grants, construction funds, program funding and discretionary funds. At June 30, 2014 the Foundation owed the Community College $25,253.

The Red Rocks Community College Foundation provided $588,632 to Red Rocks Community College. Of this amount, the Foundation provided $316,723 for scholarships and $169,047 in pass through grants from various private foundations. The remainder was given for various special programs teaching chair grants and operating expenses. At June 30, 2014 the Foundation owed the Community College $55,969 and the Community College owed the foundation $9,815.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the State using funds it receives from the Colorado Lottery. During Fiscal Year 2013-14, the board funded $18.6 million of wildlife and parks programs at the Department of Natural Resources. The Division was also awarded $162,000 in administrative costs. At June 30, 2014, GOCO owed the Department of Natural Resources $5.4 million.

The Colorado Historical Foundation accepts gifts, grants, donations and endowments on behalf of History Colorado. Upon request, the Foundation transfers these funds to History Colorado where they are utilized for their intended purposes. At the end of Fiscal Year 2013-14, History Colorado had billed the Colorado Historical Foundation $0.9 million and has an account receivable from the Foundation for that amount.

Colorado Housing and Finance Authority (CHFA) is a related party to the State in three different activities as follows:

- The Colorado Housing and Finance Authority Bond Program supports existing programs administered by CHFA that provide loans to small businesses, farms and ranches within the State of Colorado. CHFA operates these programs in coordination with the U.S. Small Business Administration, the Farm Service Agency, and the U.S. Rural Business Cooperative Service. The Department of Treasury holds four CHFA bonds with a face value of $7.1 million as of June 30, 2014. The Department receives monthly payments from CHFA for all principal payments and interest collected by the Authority. On bond maturity dates ranging from 2025 through 2031, the Department of Treasury will receive any unpaid principal balance of the bonds, plus all accrued and unpaid interest.
- CHFA acts as the fiscal agent for the Governor's Energy Office State Energy Plan grant that provides loans as a conduit issuer in an exchange transaction for energy efficiency or renewable energy projects. CHFA retains an annual loan servicing fee of 0.05 percent which totaled $83,133 on the outstanding principal balance in Fiscal Year 2013-14. Additionally the office paid $10,000 to CHFA in administrative fees.
- Under CRS 8-77-103.5 CHFA is authorized "…to issue bonds and notes as are necessary to maintain adequate balances in the unemployment compensation fund or to repay moneys advanced to the State from the Federal Unemployment trust fund, or both." On June 28, 2012, as a conduit issuer in an exchange transaction, CHFA issued Colorado Unemployment Compensation Fund Special Revenue Bonds with a par value of $624,805,000. Bond payments are funded by employers' unemployment insurance premiums. The Department of Labor and Employment paid CHFA $60,000 in administration fees in Fiscal Year 2013-14 for this arrangement.

Component Units

The Venture Capital Authority (VCA) has Limited Partnership Agreements with Colorado Fund I, LP and Colorado Fund II, LP, and has selected High Country Venture, LLC, to serve as manager and general partner of both funds. The partnership agreements allocate income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2013, VCA's investments in Colorado Fund I and Colorado Fund II totaled $24.1 million and $18.1 million respectively.

NOTE 40 - SERVICE CONCESSION ARRANGEMENTS

The High Performance Transportation Enterprise (HPTE), a portion of the nonmajor Transportation Enterprise, entered into a 50 year concession agreement with Plenary Roads Denver (Plenary). Plenary will finance, design and construct US-36 Phase I and Phase II tolled and managed lanes with completion expected in spring of 2015. As of June 30, 2014, construction in progress totaled $94.4 million.

In March 2014, HPTE transferred the operations of the I-25 high occupancy toll (HOT) lanes to Plenary. Plenary has the right to collect 1-25 HOT lane tolls and the US-36 lanes tolls when those lanes are placed in service. For both the I-25 HOT and US-36 managed lanes, Plenary has the right to raise the toll rate, with approval of the HPTE Board. If the HPTE Board does not approve the requested rate, HPTE must compensate Plenary for the loss of revenue.

Upon completion of the US-36 lanes, Plenary will assume the obligation for HPTE's existing $54.0 million loan secured through the Transportation Infrastructure Finance and Innovation Act. In addition, Plenary will be responsible to maintain the managed lanes.

NOTE 41 – ENCUMBRANCES

Most encumbrances are supported by annual appropriations and lapse at year-end. However, the Capital Projects Fund and the Highway Users Tax Fund include multi-year encumbrances of $60.1 million and $1,218.9 million, respectively, which are related to purchase orders and long-term contracts for the construction of major capital projects and infrastructure.

NOTE 42 – UNUSUAL OR INFREQUENT TRANSACTIONS

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

In Fiscal Year 2013-14, Board of Governors of the Colorado State University System, a portion of the major Higher Education Institutions proprietary fund, transferred assets related to its post employment Retiree Medial Premium Subsidy Insurance Plan into a qualifying trust. As a result, the amortization factor was reduced from 30 years to one year. The change in amortization factors resulted in a gain of $22.2 million that is reported as a special item.

NOTE 43 – FINANCIAL GUARANTEES

In Fiscal Year 2010-11, Metropolitan State University of Denver's Board of Trustees (formerly the Metropolitan State College of Denver Board of Trustees) approved the incorporation of a special purpose nonprofit corporation to be known as HLC@Metro, Inc. The HLC@Metro Inc., a discretely presented nonmajor component unit of the State, created the Hotel/Hospitality Learning Center (HLC) to enhance the University's Hospitality, Tourism, and Events department. The Metropolitan State College of Denver Roadrunner Recovery and Reinvestment Act Finance Authority issued approximately $55.0 million in revenue bonds on October 1, 2010, loaning the proceeds to HLC@Metro, Inc. to construct the HLC. The HLC generates revenue as a facility open to the general public. Should HLC@Metro Inc. not fulfill its obligation to pay any and all principal and interest, the University is obligated to make the payment due. The guarantee remains in effect until there is no remaining outstanding balance on the 2010 bond issuance. As of June 30, 2014, no liability was recorded by the University as HLC@Metro Inc. was deemed fully capable of making its debt payments.

NOTE 44 – CONTINGENCIES

The Colorado Governmental Immunity Act (CGIA) sets upper limits on State liability at $350,000 per individual and $990,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid. Effective January 1, 2012, the Act was amended to waive the State's sovereign immunity for legal proceedings in which the State has been determined to be negligent in conducting prescribed fires.

Numerous court cases are pending in which the plaintiffs allege that the State has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, engaged in regulatory misfeasance, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the State often files counterclaims. While it is reasonably possible that awards of judgment could occur, it is unlikely that those awards would have a material adverse effect on the State's financial condition.

The State is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, nursing home patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The State is the defendant in lawsuits by employees accusing the State of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The State does not believe that any of these cases are material to its financial operations.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.3 billion, of the $9.3 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the State's liability is capped at the net position of the College Assist program of $79.8 million.

At June 30, 2014, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $276.7 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the State to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds. Individual claims in exceeding $5.0 million include a claim for a refund of $13.3 million income taxes. The Department of Revenue will vigorously defend this claim. The likelihood of an unfavorable outcome is uncertain.

Various notes and bonds have been issued by state school districts that may impact the State. Colorado statutes provide that if a district indicates it will not make a required payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The State shall then withhold state property-tax-equalization payments to the defaulting school district for a period up to 12 months to cover the State's loss. Currently, notes or bonds valued at approximately $7.48 billion are outstanding. Of this amount, $2.1 billion is covered by private insurance.

The State of Kansas will likely seek injunctive relief against Colorado in a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the State anticipates reaching a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $6.0 million. The State has recorded a liability for the minimum amount of the potential damages range.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the State being liable to those parties for any disallowed expenditure. Individually significant disallowances are disclosed in the following paragraph.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) approximately $13.4 million in federal matching funds. CMS alleges that administrative costs related to out stationing eligibility functions at Denver Health were unallowable. The State is contesting this disallowance and the case is pending before the federal Department of Appeals Board. The likelihood of an unfavorable outcome is uncertain.

Five insurance companies have filed suit against the State of Colorado for recovery of claims amounts paid or to be paid relating to damage from the Lower North Fork wildfire. The wildfire ignited during a high-wind event four days after a prescribed fire was conducted in the area by the Colorado State Forest Service to reduce wildfire danger. In response to the wildfire, the General Assembly passed House Bill 12-1283 and House Bill 12-1361 retroactively waiving the State's sovereign immunity for negligence claims relating to prescribed fires. The plaintiffs also brought claims for inverse condemnation and takings. The State does not contest liability for negligence claims brought pursuant to new provisions of CGIA; however, the State is vigorously defending against claims of inverse condemnation or on takings theories. On April 23, 2013, the State filed a motion to dismiss all non-CGIA claims. In the 2013 legislative session, $2.8 million was appropriated to cover claims processed through the Claims Board process and additional appropriations will be sought when the legislature reconvenes. Additionally, Senate Bill 14-223 contained special appropriations to compensate several property owners outside of the Claims Board process. A current claims liability of $18.2 million was accrued in the General Fund as of June 30, 2014, and compensation totaling $25.0 million has been paid in Fiscal Year 2014-15. Estimates of the potential remaining liability range from $600,000 to the low tens of millions. Six-hundred thousand is being held in the court's registry from the Risk Management Fund (a Special Purpose Fund within the General Fund).

The TABOR Foundation, a not-for-profit entity that is not part of State government, has filed suit against the Colorado Bridge Enterprise alleging that the bridge safety surcharge is a tax, not a fee; therefore, requiring a vote of the people. The foundation also alleges that $300 million in bonds issued were unconstitutional because more than ten percent of the enterprise's revenue in 2010 was from state grants. The plaintiff is seeking an order declaring the surcharge and bonds unconstitutional. Approximately $390 million has been collected in surcharges, in addition to the $300 million bond issuance. On August 14, 2014, the Colorado Court of Appeals affirmed the earlier trial court's ruling in favor of the State. The TABOR Foundation filed an appeal with the Colorado Supreme Court and the State filed an objection to the petition. If the case proceeds to the Colorado Supreme Court, the Colorado Bridge Enterprise will vigorously defend claims. The State is unable to estimate the likelihood of an adverse outcome.

Colorado State University has received forty claims for damages related to a fire in July of 2011 in its Equine Reproduction Laboratory. The fire destroyed the building and property of approximately 175 clients stored at the facility. The trial court ruled that claims are not barred by the Colorado Governmental Immunity Act, and the Colorado Court of Appeals overruled the ruling of the trial court. Given the unique circumstances of each case, the likelihood of an unfavorable outcome is uncertain, with the potential loss ranging from $650,000 to $30.0 million.

On June 27, 2014, the Colorado Rural School Board Caucus, the East Central Board of Cooperative Educational Services, the Colorado PTA, and several school districts and individuals filed claims against Colorado challenging the constitutionality of amendments to the School Finance Act to incorporate a negative factor in Fiscal Year 2010-11. The likelihood of an unfavorable outcome is uncertain, but if the court finds the application of the negative factor unconstitutional Colorado may have to increase funding for K-12 education by about $1.0 billion in the following budget year. The State is vigorously contesting the plaintiff's claims.

The State believes it has a reasonable possibility of favorable outcomes for the actions discussed in this Note 44, but the ultimate outcome cannot presently be determined. Except as otherwise noted, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

NOTE 45 – SUBSEQUENT EVENTS

Primary Government

A. DEBT ISSUANCES AND REFUNDINGS

On July 1, 2014, the University of Northern Colorado entered into an agreement for $19,960,000 with Wells Fargo Bank, National Association to continue holding 100 percent of the Series 2011B Bonds for another term of three years, ending June 30, 2017. The interest rate is 70 percent of the one-month London Interbank Offered Rate with a projected annual interest rate of 3.5 percent. The principal maturities remained the same as the original issue and continue through June 1, 2036.

On July 15, 2014, the State issued Education Loan Program Tax and Revenue Anticipation Notes (ETRAN), Series 2014A. The notes were issued with a premium of $1,409,100, a coupon rate of 1.00 percent, and a true interest cost of 0.11 percent. The notes mature on June 29, 2015. The total due at maturity includes $165.0 million in principal and $1,576,667 in interest. By statute, interest on the notes is payable from the General Fund.

On July 22, 2014, the State issued General Fund Tax and Revenue Anticipation Notes (GTRAN), Series 2014A. The notes were issued with a premium of $7,819,000, an average coupon rate of 1.80 percent, and a true interest cost of 0.11 percent. The notes mature on June 26, 2015. The total due on that date includes $500 million in principal and $8,350,000 in interest.

On August 14, 2014, Colorado Mesa University issued Enterprise Revenue Bond Series 2014B for $19.0 million and Enterprise Revenue Note Series 2014C for $5.0 million. The Series 2014B advances refund all of the College Enterprise Revenue Bonds Series 2007. The debt service on this series ranges from $0.1 million to $2.6 million, carries an interest rate of 2.96 percent and matures in May 2037. The Series 2014C is a non-bank qualified, draw down, tax-exempt term loan in an amount not to exceed $5.0 million with a 10-year maturity in order to provide funding to renovate and expand the Tomlinson Library. The interest rate is fixed at 2.37 percent and matures in May 2024. Reserve fund requirements for both bonds were met by participation in the Higher Education Bond Revenue Intercept Program.

On August 21, 2014, the Board of Regents of the University of Colorado issued $203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the university issued $100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2014A has rates ranging from 2.00 percent to 5.00 percent, and the bonds mature through June 1, 2046. Series 2014B has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

In October 2014, United Physicians, Inc., a blended component unit of the University of Colorado, replaced its existing adjustable rate debt of $15,195,000 with a fixed-rate direct purchase obligation financed by US Bank. The new borrowing will carry a ten-year term at a fixed interest rate of 2.3 percent.

On November 6, 2014, the State issued Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation (COP), Series 2014A in the amount of $110,485,000. The purpose of the issuance was to refund $115,195,000 of the Higher Education Capital Construction Lease Purchase Financing Program COPs, Series 2008. The Series 2014A COPs were issued with a premium of $22,943,416, an average coupon rate of 4.94 percent, and a true interest cost of 2.32 percent. Base rents are due semiannually beginning on May 01, 2015, with a final maturity date of November 01, 2026.

B. OTHER

Effective July 1, 2014, guaranty agencies' revenues, including College Assist's revenues, were reduced as result of enactment of Amendments to the Balanced Budget Emergency Deficit Control Act of 1985. In prior years, guaranty agencies charged borrowers 18.5 percent of the outstanding principal and interest on rehabilitated defaulted loans from the Federal Family Education Loan Program and were able to retain 18.5 percent of a federal default reinsurance payment. The Act lowered the maximum collection fee to 16 percent and requires the agency to return 100 percent of the federal default reinsurance payment to the federal Department of Education. Additionally, during the wind-down of the program, allowances and non-cash charges will not be considered when determining guaranty agency compliance, which is expected to result in a one-time transfer from College Assist's operating fund to its federal fund.

On July 7, 2014, the Colorado Operations Resource Engine, known as CORE, became operational. CORE includes statewide procurement, budget, and accounting functionality. With the implementation of CORE, the State retired its former financial system.

In September 2014, the University of Colorado executed an agreement with The Wildlife Experience to transfer control of operations to the University effective December 31, 2014, and gives the property to the University effective May 1, 2015. This gift has been appraised at $40.0 million.

On December 5, 2014, the Colorado State University Board of Governors approved the construction of a new on-campus stadium at an estimated cost of $220.0 million. It is expected that approximately $195.0 will be borrowed to complete the stadium which is targeted to open for the 2017 football season.

Component Units

After its financial reporting year ended December 31, 2013 the Venture Capital Authority made equity investments totaling $2.7 million in four entities. The Authority's share was $2.6 million and the general partner's share was approximately $0.1 million.

In July 2014, Funds I and II sold a portion of their combined investment in one entity for a total of $14 million.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,760,442	
Income Taxes			5,938,012	
Other Taxes			240,111	
Federal Grants and Contracts			11	
Sales and Services			513	
Interest Earnings			16,670	
Other Revenues			20,911	
Transfers-In			345,913	
TOTAL REVENUES AND TRANSFERS-IN			9,322,583	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,724	$ 7,724	7,695	$ 29
Corrections	664,149	683,537	673,879	9,658
Education	3,199,208	3,199,162	3,198,872	290
Governor	22,074	23,085	22,699	386
Health Care Policy and Financing	2,068,864	2,070,617	2,090,858	(20,241)
Higher Education	659,108	659,437	658,901	536
Human Services	714,794	722,386	709,575	12,811
Judicial Branch	383,079	387,197	384,531	2,666
Labor and Employment	99	99	49	50
Law	12,168	12,168	11,951	217
Legislative Branch	38,593	38,593	38,593	-
Local Affairs	17,699	17,711	14,737	2,974
Military and Veterans Affairs	7,379	7,374	7,083	291
Natural Resources	24,979	25,127	25,098	29
Personnel & Administration	16,233	31,429	30,245	1,184
Public Health and Environment	53,444	55,186	53,137	2,049
Public Safety	97,434	168,572	165,343	3,229
Regulatory Agencies	1,703	1,703	1,698	5
Revenue	184,947	187,729	204,938	(17,209)
Treasury	141,047	241,934	241,902	32
Transfers Not Appropriated by Department	214,951	214,951	214,951	-
SUB-TOTAL OPERATING BUDGETS	8,529,676	8,755,721	8,756,735	(1,014)
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,470	398	1,072
Corrections	31,124	30,337	21,608	8,729
Education	569	1,422	111	1,311
Governor	20,558	6,687	4,551	2,136
Higher Education	188,649	133,034	43,824	89,210
Human Services	19,870	7,324	3,372	3,952
Military and Veterans Affairs	5,105	612	311	301
Personnel & Administration	8,959	21,716	11,594	10,122
Public Safety	7,995	805	23	782
Revenue	41,021	4,946	1,078	3,868
Transportation	500	500	500	-
Treasury	18,588	18,588	16,882	1,706
Budgets/Transfers Not Recorded by Department	186,715	186,715	186,715	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	529,653	414,156	290,967	123,189
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 9,059,329	$ 9,169,877	9,047,702	$ 122,175
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ 274,881	

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 - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 766,531	
Income Taxes			478,798	
Other Taxes			1,248,651	
Tuition and Fees			507,251	
Sales and Services			2,320,254	
Interest Earnings			309,325	
Other Revenues			2,883,119	
Transfers-In			7,037,761	
TOTAL REVENUES AND TRANSFERS-IN			15,551,690	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 33,623	$ 33,146	29,857	$ 3,289
Corrections	104,993	102,612	87,067	15,545
Education	4,247,039	4,245,852	4,169,485	76,367
Governor	422,828	453,161	286,639	166,522
Health Care Policy and Financing	1,679,965	1,779,494	1,636,259	143,235
Higher Education	1,624,621	1,623,467	1,400,500	222,967
Human Services	400,217	380,501	339,291	41,210
Judicial Branch	297,523	291,147	268,582	22,565
Labor and Employment	920,558	925,507	683,653	241,854
Law	55,281	89,913	55,686	34,227
Legislative Branch	8,354	8,823	3,730	5,093
Local Affairs	259,450	279,793	200,892	78,901
Military and Veterans Affairs	8,241	8,205	7,557	648
Natural Resources	1,041,506	998,977	567,662	431,315
Personnel & Administration	503,420	503,620	488,821	14,799
Public Health and Environment	204,032	214,040	172,213	41,827
Public Safety	392,476	392,019	222,486	169,533
Regulatory Agencies	83,656	83,656	75,762	7,894
Revenue	976,912	974,873	783,393	191,480
State	23,297	23,796	19,672	4,124
Transportation	2,640,894	2,650,968	964,552	1,686,416
Treasury	1,891,194	1,891,512	1,724,579	166,933
Budgets/Transfers Not Recorded by Department	-	-	-	-
SUB-TOTAL OPERATING BUDGETS	17,820,080	17,955,082	14,188,338	3,766,744
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	6,800	8,194	6,859	1,335
Corrections	113,640	113,838	112,433	1,405
Education	-	356	75	281
Governor	48,288	49,373	37,147	12,226
Higher Education	65,417	56,540	23,049	33,491
Human Services	490	2,013	659	1,354
Judicial Branch	24,993	28,005	18,610	9,395
Labor and Employment	5,933	645	563	82
Military and Veterans Affairs	-	298	-	298
Natural Resources	71,850	65,573	18,284	47,289
Personnel & Administration	111	1,812	1,812	-
Public Health and Environment	1,367	34,927	3,207	31,720
Public Safety	2,246	4,768	1,602	3,166
Transportation	500	500	500	-
Treasury	18,588	18,588	18,507	81
Budgets/Transfers Not Recorded by Department	7,272	7,272	7,265	7
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	367,495	392,702	250,572	142,130
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,187,575	$ 18,347,784	14,438,910	$ 3,908,874
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,112,780	

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 - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 7,866,988	
TOTAL REVENUES AND TRANSFERS-IN			7,866,988	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 4,138	$ 8,844	4,548	$ 4,296
Corrections	3,370	7,425	5,369	2,056
Education	625,525	838,983	593,684	245,299
Governor	6,706	56,679	41,793	14,886
Health Care Policy and Financing	3,599,456	3,735,050	3,489,303	245,747
Higher Education	20,290	418,691	385,308	33,383
Human Services	649,523	1,734,112	1,463,395	270,717
Judicial Branch	9,825	19,542	11,834	7,708
Labor and Employment	97,293	426,460	313,332	113,128
Law	1,770	2,351	1,841	510
Local Affairs	69,956	173,551	69,141	104,410
Military and Veterans Affairs	214,440	22,940	13,471	9,469
Natural Resources	30,713	77,061	39,682	37,379
Personnel & Administration	-	812	599	213
Public Health and Environment	291,261	450,840	290,516	160,324
Public Safety	65,131	378,504	178,830	199,674
Regulatory Agencies	1,324	10,061	3,248	6,813
Revenue	824	3,848	1,212	2,636
State	-	3,146	774	2,372
Transportation	548,525	1,126,905	764,952	361,953
Treasury	-	185,841	185,841	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	6,240,070	9,681,646	7,858,673	1,822,973
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 6,240,070	$ 9,681,646	7,858,673	$ 1,822,973
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 8,315	

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, 2014

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES			
	GENERAL	RESOURCE EXTRACTION	HIGHWAY USERS TAX	CAPITAL PROJECTS
BUDGETARY BASIS:				
Revenues and Transfers-In:				
General	$ 8,991,802	$ -	$ -	$ 330,781
Cash	5,246,439	510,195	1,860,118	141,879
Federal	6,097,362	182,704	750,438	10,198
Sub-Total Revenues and Transfers-In	20,335,603	692,899	2,610,556	482,858
Expenditures/Expenses and Transfers-Out				
General Funded	8,943,449	-	-	104,253
Cash Funded	5,159,329	325,381	2,043,487	142,138
Federally Funded	6,092,895	182,691	750,438	10,198
Expenditures/Expenses and Transfers-Out	20,195,673	508,072	2,793,925	256,589
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	139,930	184,827	(183,369)	226,269
BUDGETARY BASIS ADJUSTMENTS:				
Increase/(Decrease) for Unrealized Gains/Losses	2,357	2,468	2,788	482
Increase for Budgeted Non-GAAP Expenditures	-	25,316	-	-
Increase/(Decrease) for GAAP Expenditures Not Budgeted	119,159	1,406	113,410	(4,766)
Increase/(Decrease) for GAAP Revenue Adjustments	(125,528)	(1,327)	-	(2,180)
Increase/(Decrease) for Non-Budgeted Funds	4	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	135,922	212,690	(67,171)	219,805
GAAP BASIS FUND BALANCES/NET POSITION:				
FUND BALANCE/NET POSITION, FISCAL YEAR BEGINNING	799,105	989,751	1,197,543	54,181
Prior Period Adjustments (See Note 29A)	-	-	-	-
Accounting Changes (See Note 29B)	-	851	-	-
FUND BALANCE/NET POSITION, FISCAL YEAR END	$ 935,027	$ 1,203,292	$ 1,130,372	$ 273,986

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

		PROPRIETARY FUND TYPES						
STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,322,583
570,498	2,917,935	613,715	757,987	546,684	487,924	323,809	1,574,507	15,551,690
-	182,749	15,018	195,367	-	432,336	816	-	7,866,988
570,498	3,100,684	628,733	953,354	546,684	920,260	324,625	1,574,507	32,741,261
-	-	-	-	-	-	-	-	9,047,702
739,784	2,459,062	604,515	552,740	546,722	368,915	342,420	1,154,417	14,438,910
-	179,978	30,036	195,367	-	416,254	816	-	7,858,673
739,784	2,639,040	634,551	748,107	546,722	785,169	343,236	1,154,417	31,345,285
(169,286)	461,644	(5,818)	205,247	(38)	135,091	(18,611)	420,090	1,395,976
4,117	446	36	-	104	(1,709)	147	525,473	536,709
-	7,002	-	-	18	24,096	4,913	-	61,345
-	72,754	20,410	(11,817)	(802)	(26,795)	28,036	(18)	310,977
-	(245,203)	-	-	-	(480)	1,009	-	(373,709)
-	-	300,942	-	-	-	-	-	300,946
(165,169)	296,643	315,570	193,430	(718)	130,203	15,494	945,545	2,232,244
1,257,167	1,802,472	5,296,037	218,076	3,792	1,170,801	17,548	5,169,990	17,976,463
-	285	(285)	(6,637)	-	-	1,433	-	(5,204)
-	-	(26,677)	(1,863)	-	(1,931)	(64)	-	(29,684)
$ 1,091,998	$ 2,099,400	$ 5,584,645	$ 403,006	$ 3,074	$ 1,299,073	$ 34,411	$ 6,115,535	$ 20,173,819

GENERAL FUND SURPLUS SCHEDULE

The General Fund for GAAP purposes is not equivalent to the General Fund for budgetary purposes. The General Fund for GAAP purposes contains activities that are considered cash funds for budget purposes, and includes, State Public School, Risk Management Fund, and Other Special Purpose Funds that do not have a sufficient original-source revenue stream to qualify as special revenue funds. The General Purpose Revenue Fund balance represents $307.3 million of the GAAP General Fund balance of $935.0 million on the *Balance Sheet – Governmental Funds.*

The General Purpose Revenue Fund is the principal operating fund of the State. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The general fund surplus is a statutorily defined amount that varies from the fund balance reported in the General Purpose Revenue Fund by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A).

The schedule on the following page is presented to document compliance with the constitutional requirement for a positive general fund surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* by the specific purpose revenue funds discussed above and in several other ways as discussed in the following paragraphs.

The total fund balance in the General Purpose Revenue Fund column on the *Combining Balance Sheet – General Funds* represents cumulative general-purpose and augmenting revenues in excess of expenditures. The ending general fund surplus is reconciled to the General Purpose Revenue Fund fund balance on the *Combining Balance Sheet – General Fund Components*.

General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Purpose Revenue Fund. These revenues in excess of the related expenditures become part of total fund balance. *(See Note 8A beginning on page 84 for information regarding the negative reversion at the Department of Revenue.)*

In order to measure the general fund surplus, encumbrances of the prior year related to approved rollforwards are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year related to approved rollforwards are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,527,200	$ 2,614,600	$ 2,666,643		
Other Excise Taxes	92,400	94,000	93,799		
Individual Income Tax, net	5,099,800	5,217,600	5,272,649		
Corporate Income Tax, net	677,700	711,300	665,363		
Estate Tax	-	-	434		
Insurance Tax	209,100	235,300	239,059		
Parimutuel, Courts, and Other	26,200	23,300	24,530		
Investment Income	16,100	22,100	15,209		
Gaming	14,100	10,800	11,820		
TOTAL GENERAL PURPOSE REVENUES	8,662,600	8,929,000	8,989,506		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,724	7,724	7,695	$ 29	$ -
Corrections	664,149	683,084	673,377	9,708	1
Education	3,153,908	3,153,842	3,153,548	294	528
Governor	22,073	23,067	22,782	285	486
Health Care Policy and Financing	2,068,865	2,069,422	2,089,919	(20,497)	52
Higher Education	659,108	659,108	658,901	207	53
Human Services	714,794	717,348	704,975	12,373	3,282
Judicial Branch	383,079	387,198	384,532	2,666	41
Labor and Employment	99	99	50	49	11
Law	12,169	12,169	11,951	218	49
Legislative Branch	38,593	38,593	38,593	-	255
Local Affairs	17,699	17,710	17,532	178	15
Military and Veterans Affairs	7,379	7,379	7,084	295	-
Natural Resources	24,979	25,127	25,099	28	-
Personnel & Administration	16,233	31,440	31,407	33	606
Public Health and Environment	53,444	54,169	53,510	659	157
Public Safety	97,434	168,465	165,236	3,229	4,244
Regulatory Agencies	1,703	1,703	1,698	5	3
Revenue	184,948	179,909	197,117	(17,208)	73
State	-	-	-	-	50
Treasury	164,148	218,699	218,667	32	38
TOTAL ACTUAL BUDGET AND EXPENDITURES	8,292,528	8,456,255	8,463,673	$ (7,418)	$ 9,944
Variance Between Actual and Estimated Budgets	204,783	19,945	-		
TOTAL ESTIMATED BUDGET	8,497,311	8,476,200	8,463,673		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	165,289	452,800	525,833		
EXCESS AUGMENTING REVENUES			9,944		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	2,400	2,400	2,296		
Transfers-Out To Various Cash Funds	(23,100)	(39,700)	(30,903)		
Transfer-Out to Capital Projects - General Fund	(186,200)	(186,200)	(186,215)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	(500)	(500)	(500)		
Transfers-Out to the State Education Fund Per C.R.S. 24-75-220	(45,300)	(45,300)	(45,321)		
General Fund Surplus Transfers-Out Per C.R.S. 24-75-220	(143,600)	(120,600)	(214,951)		
TOTAL TRANSFERS	(396,300)	(389,900)	(475,594)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES	(231,011)	62,900	60,183		
BEGINNING GENERAL FUND SURPLUS	-	-	-		
Release of Prior Year Statutory Reserve (5.0%)	373,000	373,000	372,965		
Establish Current Year Statutory Reserve (5.0%)	(398,400)	(410,900)	(410,935)		
Release of Contractually Restricted Energy Performance Leases			553		
GAAP Revenues/(Expenditures) Not Budgeted			10,330		
Contractually Restricted Energy Performance Leases			(8,096)		
ENDING GENERAL FUND SURPLUS	$ (256,411)	$ 25,000	25,000		
ADJUSTMENTS TO BUDGETED REVENUE AND EXPENDITURES FOR GAAP FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2014-15 for Budget			(144,142)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2014-15 for Budget			(93,986)		
GAAP Information Technology Expenditures Deferred to Fiscal Year 2014-15 for Budget			(976)		
GAAP Revenues Related to Deferred Medicaid Payroll and Medicaid Program Expenditures			90,736		
GAAP FUND BALANCE NOT AVAILABLE FOR GENERAL FUND SURPLUS:					
Fair Value of Investments in Excess of Cost			4,011		
Restricted			8,096		
Committed			249,248		
Assigned			7,651		
Shortfall in GAAP Basis Statutory Reserve			161,688		
ENDING GAAP GENERAL PURPOSE REVENUE FUND BALANCE			$ 307,326		

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1 – BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 156 to 158). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution activities subject to limitations on the earning of cash revenue are included in these schedules. Starting in Fiscal Year 2011-12, legislation allowed governing boards of Higher Education Institutions to establish tuition amounts up to a 9 percent increase per student or per credit hour as compared to the prior year. Amounts above 9 percent require approval by the Colorado Commission on Higher Education. As a result, tuition and certain fees in the Long Appropriations Act became information-only appropriations. Therefore the Cash Funded Schedule excludes $1.9 billion of tuition and fee appropriations designated as information-only and the related expenditures.

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

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

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

- Payments to employees paid on a monthly basis for time worked in June of each fiscal year are made on the first working day of the following month; for general-funded appropriations those payments are reported as expenditures in the following fiscal year.
- Certain payments by state agencies to the Office of Information Technology for information technology services purchased in June using general-funded appropriations are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures. In most years, this results in the Department of Health Care Policy and Financing excluding expenditures accrued for services provided but not yet billed.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

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.

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 41. Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end. Cash funded highway construction, maintenance and operations in the Department of Transportation are appropriated as operating budgets, but remain available in future years through action of the Transportation Commission. In Fiscal Year 2013-14, the Department of Transportation capitalized project expenditures of $480.6 million from all funding sources.

The appropriation controls the combined expenditures and encumbrances of the State, in the majority of the cases, to the level of line item within the State agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures. The appropriation may be retroactively adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no General Fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. In the General Purpose Revenue Fund and Capital Projects Fund, if earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 160) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 156 to 158) relate to the change in fund balances/net position for the funds presented in the fund-level statements (see pages 48 to 65).

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

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

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

E. OUTSTANDING ENCUMBRANCES

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

NOTE RSI-2 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

As required by GASB Statements No 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the State's Schedule of Funding Progress for its other post-employment benefit plans.

In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans.

Under the standards, the State must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. See Note 19 on page 108 for additional information regarding the plans listed in the schedule.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
University of Colorado:							
2013-14	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2012-13	7/1/2012	$ -	$ 406,782,000	$ 406,782,000	0.0%	$ 1,141,100,000	35.6%
2011-12	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,089,502,474	31.5%
2010-11	7/1/2010	$ -	$ 343,144,000	$ 343,144,000	0.0%	$ 1,023,525,000	33.5%
2009-10	7/1/2008	$ -	$ 196,714,735	$ 196,714,735	0.0%	$ 944,167,317	20.8%
2008-09	7/1/2008	$ -	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
Colorado State University:							
RMPR							
2013-14	1/1/2014	$ 36,329,003	$ 34,013,693	$ (2,315,310)	106.8%	$ 285,017,218	-0.8%
2012-13	7/1/2012	$ -	$ 31,062,884	$ 31,062,884	0.0%	$ 259,316,500	12.0%
2011-12	1/1/2011	$ -	$ 28,917,402	$ 28,917,405	0.0%	$ 246,619,145	11.7%
2010-11	1/1/2011	$ -	$ 28,917,402	$ 28,917,402	0.0%	$ 248,227,800	11.6%
2009-10	1/1/2009	$ -	$ 25,187,719	$ 25,187,719	0.0%	$ 235,974,968	10.7%
RMPS							
2013-14	1/1/2014	$ 19,696,918	$ 50,077,254	$ 30,380,336	39.3%	N/A	N/A
2012-13	7/1/2012	$ -	$ 45,849,293	$ 45,849,293	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 54,685,666	$ 54,695,666	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 53,177,425	$ 53,177,425	0.0%	N/A	N/A
URX							
2013-14	1/1/2014	$ 497,968	$ 2,840,945	$ 2,342,977	17.5%	N/A	N/A
2012-13	7/1/2012	$ -	$ 2,556,178	$ 2,556,178	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 2,751,623	$ 2,751,623	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 2,832,107	$ 2,832,107	0.0%	N/A	N/A
2009-10	1/1/2011	$ -	$ 2,822,691	$ 2,822,691	0.0%	N/A	N/A
LTD							
2013-14	1/1/2014	$ 5,350,150	$ 11,569,893	$ 6,219,743	46.2%	N/A	N/A
2012-13	7/1/2012	$ -	$ 15,465,978	$ 15,465,978	0.0%	N/A	N/A
2011-12	1/1/2011	$ -	$ 13,058,876	$ 13,058,876	0.0%	N/A	N/A
2010-11	1/1/2011	$ -	$ 13,017,464	$ 13,017,464	0.0%	N/A	N/A
2009-10	1/1/2011	$ -	$ 12,300,594	$ 12,300,594	0.0%	N/A	N/A

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

In Fiscal Year 2013-14, Colorado State University transferred assets into a qualified trust for its RMPR, RMPS, URX and LTD plans. The Statements of Net Position, Statements of Changes in Plan Net Position, and Schedules of Employer Contributions follow.

	RMPR	RMPS	URX	LTD
STATEMENT OF PLAN NET POSITION				
Assets:				
Cash and Pooled Cash	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
Liabilities:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
STATEMENT OF CHANGES IN PLAN NET POSITION				
Additions:				
Contributions from Employers	36,329,003	19,696,918	497,968	5,350,150
Deductions:	-	-	-	-
Plan Net Assets Held in Trust	$ 36,329,003	$ 19,696,918	$497,968	$ 5,350,150
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
Annual Required Contriubtion	$ 35,809,410	$ 4,188,504	$ 207,001	$ 1,337,965
Percent Contributed	103.3%	500.5%	273.1%	470.3%

SUPPLEMENTARY INFORMATION

GENERAL FUND COMPONENTS

GENERAL PURPOSE REVENUE

This fund is the general operating fund for state operations and is used unless another fund has been established for a particular activity. The fund consists of general purpose revenues from various tax collections the largest being income and sales taxes.

SPECIAL PURPOSE REVENUE

The State Public School fund is a statutory fund that distributes substantially all of its resources to school districts each year, most of the funds' resources are transfers into the fund from the General Purpose Revenue Fund.

The Risk Management fund accounts for the State's liability, property, and worker's compensation insurance activities; its revenues are primarily from charges to State agencies.

The Other Special Purpose Fund comprises all other funds without sufficient original source revenues to qualify as Special Revenue Funds. Included in this category is the Building Excellent Schools Tomorrow (BEST) program that provides grants and funds for public school construction, Lottery proceeds held by the Division of Parks and Wildlife for parks and outdoor recreation projects, the Charter School Institute, as well as over thirty smaller funds.

BALANCE SHEET
GENERAL FUND COMPONENTS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOL	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
ASSETS:					
Cash and Pooled Cash	$ 264,572	$ 1,153	$ 14,155	$ 143,393	$ 423,273
Taxes Receivable, net	1,380,690	-	-	-	1,380,690
Other Receivables, net	94,432	-	34	989	95,455
Due From Other Governments	530,015	3,367	-	50	533,432
Due From Other Funds	35,648	-	-	39,956	75,604
Due From Component Units	54	-	-	-	54
Inventories	3,859	-	-	4,862	8,721
Prepaids and Advances	38,466	-	59	4	38,529
Restricted Cash and Pooled Cash	4	16,883	-	208,420	225,307
Restricted Receivables	-	-	-	512	512
Investments	7,322	-	-	257,091	264,413
TOTAL ASSETS	$ 2,355,062	$ 21,403	$ 14,248	$ 655,277	$ 3,045,990
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-	-
LIABILITIES:					
Tax Refunds Payable	$ 705,806	$ -	$ -	$ -	$ 705,806
Accounts Payable and Accrued Liabilities	625,622	-	597	40,157	666,376
TABOR Refund Liability (Note 8B)	706	-	-	-	706
Due To Other Governments	78,383	-	-	13,336	91,719
Due To Other Funds	373,783	-	132	6,913	380,828
Due To Component Units	15	-	-	-	15
Unearned Revenue	18,617	-	5	19	18,641
Compensated Absences Payable	31	-	-	-	31
Claims and Judgments Payable	18,472	-	-	-	18,472
Other Current Liabilities	12,702	-	-	-	12,702
Deposits Held In Custody For Others	4	-	-	-	4
TOTAL LIABILITIES	1,834,141	-	734	60,425	1,895,300
DEFERRED INFLOW OF RESOURCES:	213,595	2,068	-	-	215,663
FUND BALANCES:					
Nonspendable:					
Inventories	3,859	-	-	4,862	8,721
Prepaids	38,472	-	59	4	38,535
Restricted	8,096	18,182	-	442,480	468,758
Committed	249,248	1,153	13,455	147,506	411,362
Assigned	7,651	-	-	-	7,651
TOTAL FUND BALANCES	307,326	19,335	13,514	594,852	935,027
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,355,062	$ 21,403	$ 14,248	$ 655,277	$ 3,045,990

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GENERAL FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	GENERAL PURPOSE REVENUE	SPECIAL PURPOSE FUNDS: STATE PUBLIC SCHOOLS	SPECIAL PURPOSE FUNDS: RISK MANAGEMENT	SPECIAL PURPOSE FUNDS: OTHER SPECIAL PURPOSE	TOTAL
REVENUES:					
Taxes:					
Individual and Fiduciary Income	$ 5,272,649	$ -	$ -	$ -	$ 5,272,649
Corporate Income	665,363	-	-	-	665,363
Sales and Use	2,666,643	-	-	-	2,666,643
Excise	93,799	-	-	-	93,799
Other Taxes	240,161	-	-	-	240,161
Licenses, Permits, and Fines	17,902	-	-	2,049	19,951
Charges for Goods and Services	14,930	-	56,959	259	72,148
Rents	218	-	-	17	235
Investment Income (Loss)	20,306	6	240	6,926	27,478
Federal Grants and Contracts	6,038,755	-	-	19,408	6,058,163
Other	125,579	2,728	790	15,008	144,105
TOTAL REVENUES	15,156,305	2,734	57,989	43,667	15,260,695
EXPENDITURES:					
Current:					
General Government	218,865	-	53,137	3,298	275,300
Business, Community, and Consumer Affairs	170,360	-	-	16,917	187,277
Education	641,975	241	-	3,258	645,474
Health and Rehabilitation	560,558	-	-	1,775	562,333
Justice	1,293,555	-	-	(4)	1,293,551
Natural Resources	44,835	-	-	-	44,835
Social Assistance	7,175,794	-	-	4,598	7,180,392
Capital Outlay	21,985	-	-	173,693	195,678
Intergovernmental:					
Cities	77,970	-	-	35,061	113,031
Counties	1,222,127	-	-	11,487	1,233,614
School Districts	680,564	3,007,309	-	95,918	3,783,791
Special Districts	38,776	-	-	15,812	54,588
Federal	676	-	-	-	676
Other	25,457	-	-	-	25,457
Debt Service	6,811	-	-	36,600	43,411
TOTAL EXPENDITURES	12,180,308	3,007,550	53,137	398,413	15,639,408
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,975,997	(3,004,816)	4,852	(354,746)	(378,713)
OTHER FINANCING SOURCES (USES):					
Transfers-In	976,407	3,076,328	-	392,701	4,445,436
Transfers-Out	(3,909,822)	(61,646)	(1,270)	(65,139)	(4,037,877)
Face Amount of Bond/COP Issuance	-	-	-	89,510	89,510
Bond/COP Premium/Discount	-	-	-	6,358	6,358
Capital Lease Proceeds	11,127	-	-	-	11,127
Sale of Capital Assets	21	-	-	-	21
Insurance Recoveries	60	-	-	-	60
TOTAL OTHER FINANCING SOURCES (USES)	(2,922,207)	3,014,682	(1,270)	423,430	514,635
NET CHANGE IN FUND BALANCES	53,790	9,866	3,582	68,684	135,922
FUND BALANCE, FISCAL YEAR BEGINNING	253,536	9,469	9,932	526,168	799,105
FUND BALANCE, FISCAL YEAR END	$ 307,326	$ 19,335	$ 13,514	$ 594,852	$ 935,027

CAPITAL PROJECTS FUND COMPONENTS

REGULAR CAPITAL PROJECTS	This fund accounts for projects that are either fully or partially funded with general-purpose revenue that is transferred from the General Purpose Revenue Fund. It also includes cash-funded or mixed funded projects.
SPECIAL CAPITAL PROJECTS	This fund accounts for certain projects that are not funded with any general-purpose revenue. This includes projects funded with the proceeds of certificates of participation such as the Colorado History Center and the Ralph L. Carr Justice Center, federal projects in the Department of Military Affairs, Lottery-funded projects in the Department of Natural Resources, and several smaller projects.

BALANCE SHEET
CAPITAL PROJECTS FUND COMPONENTS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
ASSETS:			
Cash and Pooled Cash	$ 136,833	$ 6,792	$ 143,625
Other Receivables, net	32	623	655
Due From Other Governments	71	254	325
Due From Other Funds	135,336	222	135,558
Prepaids and Advances	-	4	4
Restricted Investments	-	3,847	3,847
Investments	-	990	990
Other Long-Term Assets	71	-	71
TOTAL ASSETS	$ 272,343	$ 12,732	$ 285,075
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 9,710	$ 1,297	$ 11,007
Due To Other Funds	82	-	82
TOTAL LIABILITIES	9,792	1,297	11,089
DEFERRED INFLOW OF RESOURCES:	-	-	-
Prepaids	-	4	4
Restricted	-	3,298	3,298
Committed	262,551	8,133	270,684
TOTAL FUND BALANCES	262,551	11,435	273,986
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 272,343	$ 12,732	$ 285,075

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECT FUND COMPONENTS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	REGULAR CAPITAL PROJECTS	SPECIAL CAPITAL PROJECTS	TOTAL
REVENUES:			
Licenses, Permits, and Fines	7	-	7
Investment Income (Loss)	1,933	86	2,019
Federal Grants and Contracts	1,915	8,124	10,039
Other	521	1,729	2,250
TOTAL REVENUES	4,376	9,939	14,315
EXPENDITURES:			
Current:			
General Government	4,439	776	5,215
Business, Community, and Consumer Affairs	3	-	3
Education	11,277	3,168	14,445
Health and Rehabilitation	-	110	110
Justice	2,940	112,027	114,967
Social Assistance	54	-	54
Capital Outlay	52,496	4,810	57,306
Debt Service	2,728	-	2,728
TOTAL EXPENDITURES	73,937	120,891	194,828
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,561)	(110,952)	(180,513)
OTHER FINANCING SOURCES (USES):			
Transfers-In	336,461	3,500	339,961
Transfers-Out	(54,276)	(12,253)	(66,529)
Capital Lease Proceeds	13,905	-	13,905
Insurance Recoveries	111	1,090	1,201
Bond/COP Refunding Issuance	-	111,780	111,780
TOTAL OTHER FINANCING SOURCES (USES)	296,201	104,117	400,318
NET CHANGE IN FUND BALANCES	226,640	(6,835)	219,805
FUND BALANCE, FISCAL YEAR BEGINNING	35,911	18,270	54,181
FUND BALANCE, FISCAL YEAR END	$ 262,551	$ 11,435	$ 273,986

OTHER GOVERNMENTAL FUNDS

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

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 915,334	$ -	$ -	$ 915,334
Taxes Receivable, net	38,915	-	-	38,915
Other Receivables, net	76,001	-	10,459	86,460
Due From Other Governments	35,129	341	44	35,514
Due From Other Funds	95,045	-	21,691	116,736
Inventories	140	-	-	140
Prepaids and Advances	7,870	-	10	7,880
Restricted Cash and Pooled Cash	50,917	218	156,910	208,045
Restricted Investments	38,555	-	615,370	653,925
Investments	127,185	44,193	-	171,378
Other Long-Term Assets	26,070	-	41,582	67,652
Depreciable Capital Assets and Infrastructure, net	-	-	20,883	20,883
Land and Nondepreciable Capital Assets	81	-	47,368	47,449
TOTAL ASSETS	$ 1,411,242	$ 44,752	$ 914,317	$ 2,370,311
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Tax Refunds Payable	$ 772	$ -	$ -	$ 772
Accounts Payable and Accrued Liabilities	100,743	-	2,119	102,862
Due To Other Governments	38,745	-	24	38,769
Due To Other Funds	34,416	-	29,944	64,360
Unearned Revenue	50,787	-	-	50,787
Claims and Judgments Payable	88	-	-	88
Notes, Bonds, and COPs Payable	130	-	-	130
Other Current Liabilities	3,906	-	-	3,906
Deposits Held In Custody For Others	135	-	-	135
TOTAL LIABILITIES	229,722	-	32,087	261,809
DEFERRED INFLOW OF RESOURCES:	8,615	-	487	9,102
FUND BALANCES:				
Nonspendable:				
Inventories	140	-	-	140
Permanent Fund Principal	-	-	868,383	868,383
Prepaids	7,870	-	9	7,879
Restricted	241,827	44,752	7,271	293,850
Committed	923,068	-	6,080	929,148
TOTAL FUND BALANCES	1,172,905	44,752	881,743	2,099,400
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,411,242	$ 44,752	$ 914,317	$ 2,370,311

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 48,420	$ -	$ -	$ 48,420
Excise	144,566	-	-	144,566
Other Taxes	153,359	-	-	153,359
Licenses, Permits, and Fines	388,813	-	-	388,813
Charges for Goods and Services	697,801	-	93	697,894
Rents	1,959	-	178,373	180,332
Investment Income (Loss)	15,264	347	21,728	37,339
Federal Grants and Contracts	181,017	-	339	181,356
Additions to Permanent Funds	-	-	397	397
Unclaimed Property Receipts	52,540	-	-	52,540
Other	75,980	-	93	76,073
TOTAL REVENUES	1,759,719	347	201,023	1,961,089
EXPENDITURES:				
Current:				
General Government	39,674	-	153	39,827
Business, Community, and Consumer Affairs	200,109	-	-	200,109
Education	22,881	-	-	22,881
Health and Rehabilitation	85,028	-	-	85,028
Justice	87,623	-	-	87,623
Natural Resources	1,938	-	10,999	12,937
Social Assistance	233,552	-	-	233,552
Transportation	2,878	-	-	2,878
Capital Outlay	9,914	-	1,188	11,102
Intergovernmental:				
Cities	60,891	-	-	60,891
Counties	79,466	-	51	79,517
School Districts	22,699	-	-	22,699
Special Districts	10,227	-	19	10,246
Federal	1,856	-	-	1,856
Other	40,542	-	-	40,542
Debt Service	1,240	213,732	-	214,972
TOTAL EXPENDITURES	900,518	213,732	12,410	1,126,660
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	859,201	(213,385)	188,613	834,429
OTHER FINANCING SOURCES (USES):				
Transfers-In	267,888	225,024	300	493,212
Transfers-Out	(958,579)	-	(106,316)	(1,064,895)
Face Amount of Bond/COP Issuance	7,100	-	-	7,100
Sale of Capital Assets	12	-	26,483	26,495
Insurance Recoveries	302	-	-	302
TOTAL OTHER FINANCING SOURCES (USES)	(683,277)	225,024	(79,533)	(537,786)
NET CHANGE IN FUND BALANCES	175,924	11,639	109,080	296,643
FUND BALANCE, FISCAL YEAR BEGINNING	996,696	33,113	772,663	1,802,472
Prior Period Adjustment (See Note 29A)	285	-	-	285
FUND BALANCE, FISCAL YEAR END	$ 1,172,905	$ 44,752	$ 881,743	$ 2,099,400

SPECIAL REVENUE FUNDS

LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the State. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional State tax on cigarettes and tobacco products approved by State voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas resources of the State. Most of the related programs are managed by the Colorado Department of Natural Resources.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado.
UNCLAIMED PROPERTY	This fund reports the escheats funds managed by the State Treasurer that are not held in trust for claimants. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the State when the owners of the assets cannot be located. Per statute, the owner's legal rights to the asset are protected in perpetuity; however, historically not all of the assets are claimed. The assets ultimately expected to be claimed and paid are reported as Net Position Held In Trust in the Unclaimed Property Trust Fund, a nonmajor Fiduciary Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 231 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 230 for a detail listing of these funds that have net position/fund balance in excess of $200,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
ASSETS:				
Cash and Pooled Cash	$ 116,241	$ 125,686	$ 102,078	$ 18,315
Taxes Receivable, net	14,627	11,147	9,930	-
Other Receivables, net	2,304	146	45,254	300
Due From Other Governments	17,309	-	14,424	-
Due From Other Funds	70,132	100	2,225	-
Inventories	-	-	-	-
Prepaids and Advances	4,151	67	7	-
Restricted Cash and Pooled Cash	44,445	6,472	-	-
Restricted Investments	38,555	-	-	-
Investments	11,350	-	-	-
Other Long-Term Assets	-	12,111	-	-
Land and Nondepreciable Capital Assets	-	-	-	-
TOTAL ASSETS	$ 319,114	$ 155,729	$ 173,918	$ 18,615
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	20,916	6,389	41,722	88
Due To Other Governments	-	19,669	17,909	268
Due To Other Funds	323	14,064	3,890	13
Unearned Revenue	-	792	-	-
Claims and Judgments Payable	77	-	-	-
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	1,307	-	-	-
Deposits Held In Custody For Others	-	6	-	-
TOTAL LIABILITIES	22,623	40,920	63,521	369
DEFERRED INFLOW OF RESOURCES:	-	-	99	-
FUND BALANCES:				
Nonspendable:				
Inventories	-	-	-	-
Prepaids	4,151	67	7	-
Restricted	83,000	28,870	11,878	7,161
Committed	209,340	85,872	98,413	11,085
TOTAL FUND BALANCES	296,491	114,809	110,298	18,246
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 319,114	$ 155,729	$ 173,918	$ 18,615

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 145,253	$ 69,505	$ 338,256	$ 915,334
-	-	3,211	38,915
12,099	1,099	14,799	76,001
1,344	-	2,052	35,129
20,474	3	2,111	95,045
140	-	-	140
13	26	3,606	7,870
-	-	-	50,917
-	-	-	38,555
-	115,835	-	127,185
-	-	13,959	26,070
-	-	81	81
$ 179,323	$ 186,468	$ 378,075	$ 1,411,242
-	-	-	-
$ -	$ -	$ 772	$ 772
8,143	234	23,251	100,743
-	-	899	38,745
11,864	801	3,461	34,416
4,040	-	45,955	50,787
-	-	11	88
-	-	130	130
5	-	2,594	3,906
-	-	129	135
24,052	1,035	77,202	229,722
-	-	8,516	8,615
140	-	-	140
13	26	3,606	7,870
8,030	-	102,888	241,827
147,088	185,407	185,863	923,068
155,271	185,433	292,357	1,172,905
$ 179,323	$ 186,468	$ 378,075	$ 1,411,242

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	LABOR	GAMING	TOBACCO IMPACT MITIGATION	RESOURCE MANAGEMENT
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	138,937	-
Other Taxes	46,067	104,878	-	-
Licenses, Permits, and Fines	328	1,033	100,507	69
Charges for Goods and Services	217	1,325	904	1,276
Rents	-	517	-	-
Investment Income (Loss)	1,889	1,764	702	259
Federal Grants and Contracts	8,243	-	105,517	-
Unclaimed Property Receipts	-	-	-	-
Other	3,577	1,016	32,873	543
TOTAL REVENUES	60,321	110,533	379,440	2,147
EXPENDITURES:				
Current:				
General Government	5,885	-	107	-
Business, Community, and Consumer Affairs	21,707	37,726	-	105
Education	-	15,160	1,218	-
Health and Rehabilitation	-	66	32,566	-
Justice	23,401	-	-	-
Natural Resources	-	-	-	1,938
Social Assistance	-	-	226,217	-
Transportation	-	-	-	-
Capital Outlay	109	-	-	-
Intergovernmental:				
Cities	11,049	15,711	1,272	1,440
Counties	1,526	16,027	26,674	405
School Districts	25	279	19,783	-
Special Districts	1,035	3,056	-	202
Federal	-	-	-	-
Other	571	743	8,354	587
Debt Service	-	-	-	-
TOTAL EXPENDITURES	65,308	88,768	316,191	4,677
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,987)	21,765	63,249	(2,530)
OTHER FINANCING SOURCES (USES):				
Transfers-In	123,350	1,621	52,987	10,181
Transfers-Out	(30,058)	(26,693)	(97,087)	(600)
Face Amount of Bond/COP Issuance	-	-	-	-
Sale of Capital Assets	-	-	-	-
Insurance Recoveries	-	-	-	302
TOTAL OTHER FINANCING SOURCES (USES)	93,292	(25,072)	(44,100)	9,883
NET CHANGE IN FUND BALANCES	88,305	(3,307)	19,149	7,353
FUND BALANCE, FISCAL YEAR BEGINNING	208,186	118,116	91,149	10,893
Prior Period Adjustment (See Note 29A)	-	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 296,491	$ 114,809	$ 110,298	$ 18,246

ENVIRONMENT AND HEALTH PROTECTION	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ 48,420	$ 48,420
-	-	5,629	144,566
-	-	2,414	153,359
41,299	-	245,577	388,813
643,777	-	50,302	697,801
-	-	1,442	1,959
2,119	5,276	3,255	15,264
970	-	66,287	181,017
-	52,540	-	52,540
2,301	15,029	20,641	75,980
690,466	72,845	443,967	1,759,719
14	15,029	18,639	39,674
1	1,506	139,064	200,109
-	-	6,503	22,881
46,020	-	6,376	85,028
17,044	-	47,178	87,623
-	-	-	1,938
395	-	6,940	233,552
207	-	2,671	2,878
369	7,482	1,954	9,914
2,552	24	28,843	60,891
1,287	116	33,431	79,466
301	-	2,311	22,699
1,057	35	4,842	10,227
24	-	1,832	1,856
1,867	-	28,420	40,542
-	72	1,168	1,240
71,138	24,264	330,172	900,518
619,328	48,581	113,795	859,201
39,026	-	40,723	267,888
(659,496)	(4,876)	(139,769)	(958,579)
-	7,100	-	7,100
-	-	12	12
-	-	-	302
(620,470)	2,224	(99,034)	(683,277)
(1,142)	50,805	14,761	175,924
156,128	134,628	277,596	996,696
285	-	-	285
$ 155,271	$ 185,433	$ 292,357	$ 1,172,905

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, 2014

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 10,459	$ -	$ 10,459
Due From Other Governments	-	44	44
Due From Other Funds	21,691	-	21,691
Prepaids and Advances	10	-	10
Restricted Cash and Pooled Cash	148,899	8,011	156,910
Restricted Investments	615,370	-	615,370
Other Long-Term Assets	41,582	-	41,582
Land and Nondepreciable Capital Assets	47,368	-	47,368
Capital Assets Held as Investments	20,883	-	20,883
TOTAL ASSETS	$ 906,262	$ 8,055	$ 914,317
DEFERRED OUTFLOW OF RESOURCES:	-	-	-
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 2,099	$ 20	$ 2,119
Due To Other Governments	24	-	24
Due To Other Funds	29,944	-	29,944
TOTAL LIABILITIES	32,067	20	32,087
DEFERRED INFLOW OF RESOURCES:	487	-	487
FUND BALANCES:			
Nonspendable:			
Permanent Fund Principal	861,510	6,873	868,383
Prepaids	9	-	9
Restricted	7,270	1	7,271
Committed	4,919	1,161	6,080
TOTAL FUND BALANCES	873,708	8,035	881,743
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 906,262	$ 8,055	$ 914,317

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 93	$ -	$ 93
Rents	$ 178,373	$ -	$ 178,373
Investment Income (Loss)	21,618	110	21,728
Federal Grants and Contracts	-	339	339
Additions to Permanent Funds	397	-	397
Other	89	4	93
TOTAL REVENUES	200,570	453	201,023
EXPENDITURES:			
Current:			
General Government	151	2	153
Natural Resources	10,547	452	10,999
Capital Outlay	1,188	-	1,188
Counties	51	-	51
Special Districts	19	-	19
TOTAL EXPENDITURES	11,956	454	12,410
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	188,614	(1)	188,613
OTHER FINANCING SOURCES (USES):			
Transfers-In	300	-	300
Transfers-Out	(106,309)	(7)	(106,316)
Sale of Capital Assets	26,483	-	26,483
TOTAL OTHER FINANCING SOURCES (USES)	(79,526)	(7)	(79,533)
NET CHANGE IN FUND BALANCES	109,088	(8)	109,080
FUND BALANCE, FISCAL YEAR BEGINNING	764,620	8,043	772,663
FUND BALANCE, FISCAL YEAR END	$ 873,708	$ 8,035	$ 881,743

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:

COLLEGEINVEST	CollegeInvest's Prepaid Tuition Fund, which was established in 1997, provides an opportunity for saving for future college expenses at private and public colleges, universities, and vocational schools throughout the United States. In 2014 the Board discontinued the Prepaid Tuition Fund.
PARKS AND WILDLIFE	Expenses of this fund are to preserve the State's parks, wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the State fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the State prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the State facilities at Fitzsimons, Homelake, Walsenburg, Florence, and Rifle.
PRISON CANTEENS	This activity accounts for the various canteen operations in the State's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
TRANSPORTATION ENTERPRISE	This fund consists of the Bridge Enterprise and the High Performance Transportation Enterprise in the Department of Transportation. The bridge and highway construction activity is financed through bond issuances and user fees. Before Fiscal Year 2010-11 these enterprises were reported as Other Enterprises.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the State include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in State buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at State museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 63,224	$ 68,471	$ 63,638	$ -
Investments	36	-	-	-
Student and Other Receivables, net	55	8,922	320	37
Due From Other Governments	-	3,936	1,437	-
Due From Other Funds	-	3,496	-	-
Inventories	-	1,138	-	18
Prepaids and Advances	66	4,287	17	84
Total Current Assets	63,381	90,250	65,412	139
Noncurrent Assets:				
Restricted Cash and Pooled Cash	3,213	34,000	7,942	-
Restricted Receivables	592	-	44,885	-
Investments	15,518	-	-	-
Other Long-Term Assets	-	-	-	-
Depreciable Capital Assets and Infrastructure, net	215	171,699	396	12,579
Land and Nondepreciable Capital Assets	-	341,900	-	638
Total Noncurrent Assets	19,538	547,599	53,223	13,217
TOTAL ASSETS	82,919	637,849	118,635	13,356
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	187	15,887	860	325
Due To Other Governments	-	-	29,389	-
Due To Other Funds	5,700	634	-	585
Unearned Revenue	-	33,728	-	528
Compensated Absences Payable	-	413	-	-
Leases Payable	-	-	-	71
Notes, Bonds, and COPs Payable	-	-	-	-
Other Current Liabilities	-	26	8,453	3
Total Current Liabilities	5,887	50,688	38,702	1,512
Noncurrent Liabilities:				
Due to Other Funds	-	4,879	-	-
Accrued Compensated Absences	142	5,873	159	137
Capital Lease Payable	-	-	-	1,226
Notes, Bonds, and COPs Payable	-	-	-	-
Other Long-Term Liabilities	-	-	-	-
Total Noncurrent Liabilities	142	10,752	159	1,363
TOTAL LIABILITIES	6,029	61,440	38,861	2,875
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET POSITION:				
Net investment in Capital Assets:	215	513,599	396	11,920
Restricted for:				
Emergencies	-	34,000	-	-
Other Purposes	-	32,883	23,413	-
Unrestricted	76,675	(4,073)	55,965	(1,439)
TOTAL NET POSITION	$ 76,890	$ 576,409	$ 79,774	$ 10,481

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 6,147	$ 13,091	$ 3,414	$ 5,998	$ 296,704	$ 10,583	$ 531,270
-	563	-	-	-	-	599
1,642	754	239	3,689	9,002	593	25,253
402	5,450	-	-	1,679	161	13,065
1,348	1,185	-	-	-	-	6,029
14,015	207	624	-	-	218	16,220
66	64	-	-	15	190	4,789
23,620	21,314	4,277	9,687	307,400	11,745	597,225
-	-	-	-	-	-	45,155
-	-	-	-	-	-	45,477
-	-	-	-	51,798	-	67,316
1,849	-	-	-	-	-	1,849
3,457	31,457	1,811	186	317,332	12,279	551,411
1,519	11,355	-	-	220,001	4,143	579,556
6,825	42,812	1,811	186	589,131	16,422	1,290,764
30,445	64,126	6,088	9,873	896,531	28,167	1,887,989
-	-	-	-	-	-	-
5,479	2,298	865	4,090	27,468	987	58,446
-	1,025	-	7	-	-	30,421
30	-	-	-	-	-	6,949
146	23	-	-	90,163	4,351	128,939
88	209	-	-	-	382	1,092
-	311	-	-	-	-	382
-	465	-	-	-	420	885
14	-	-	-	-	125	8,621
5,757	4,331	865	4,097	117,631	6,265	235,735
-	-	-	-	3,000	-	7,879
1,191	1,599	230	643	24	366	10,364
-	3,457	-	-	-	-	4,683
-	1,519	-	-	300,000	5,287	306,806
-	-	-	-	23,449	-	23,449
1,191	6,575	230	643	326,473	5,653	353,181
6,948	10,906	1,095	4,740	444,104	11,918	588,916
-	-	-	-	-	-	-
4,976	37,044	1,811	186	240,032	10,715	820,894
-	-	-	-	-	-	34,000
-	-	-	-	-	-	56,296
18,521	16,176	3,182	4,947	212,395	5,534	387,883
$ 23,497	$ 53,220	$ 4,993	$ 5,133	$ 452,427	$ 16,249	$ 1,299,073

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:				
License and Permits	$ -	$ 98,767	$ -	$ -
Tuition and Fees	-	-	-	-
Sales of Goods and Services	1	4,056	-	5,795
Investment Income (Loss)	1,257	-	9,021	-
Rental Income	-	-	-	645
Federal Grants and Contracts	-	27,262	341,315	-
Intergovernmental Revenue	-	19,300	-	-
Other	383	2,285	7,511	-
TOTAL OPERATING REVENUES	1,641	151,670	357,847	6,440
OPERATING EXPENSES:				
Salaries and Fringe Benefits	130	88,430	71,654	4,020
Operating and Travel	1,878	70,090	258,171	4,017
Cost of Goods Sold	-	193	-	-
Depreciation and Amortization	1	10,679	77	741
Intergovernmental Distributions	-	6,138	-	-
Debt Service	-	-	11,691	-
Prizes and Awards	-	13	-	854
TOTAL OPERATING EXPENSES	2,009	175,543	341,593	9,632
OPERATING INCOME (LOSS)	(368)	(23,873)	16,254	(3,192)
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	-	-	-	-
Fines and Settlements	-	508	-	-
Investment Income (Loss)	-	1,277	-	1,068
Rental Income	-	8,849	-	-
Gifts and Donations	-	750	-	408
Gain/(Loss) on Sale or Impairment of Capital Assets	-	3,575	-	-
Insurance Recoveries from Prior Year Impairments	-	175	-	-
Debt Service	-	(105)	-	(57)
Other Expenses	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	15,029	-	1,419
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(368)	(8,844)	16,254	(1,773)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	-	1,552	-	433
Transfers-In	-	20,189	-	520
Transfers-Out	(21)	(13,324)	(60)	(108)
TOTAL CONTRIBUTIONS AND TRANSFERS	(21)	8,417	(60)	845
CHANGE IN NET POSITION	(389)	(427)	16,194	(928)
NET POSITION - FISCAL YEAR BEGINNING	77,279	576,836	63,580	11,409
Accounting Changes (See Note 29B)	-	-	-	-
NET POSITION - FISCAL YEAR ENDING	$ 76,890	$ 576,409	$ 79,774	$ 10,481

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 502	$ -	$ 7,467	$ 106,736
-	-	-	-	-	469	469
44,562	30,233	17,838	2	99,736	4,942	207,165
-	-	-	-	-	-	10,278
-	-	-	-	-	1,050	1,695
1,879	25,103	-	982	33,321	949	430,811
-	246	-	-	4,472	-	24,018
229	130	20	19	1,131	69	11,777
46,670	55,712	17,858	1,505	138,660	14,946	792,949
12,823	34,694	3,507	14,178	22,878	6,175	258,489
9,383	9,543	2,376	19,988	1,079	8,243	384,768
23,835	-	11,041	-	-	141	35,210
388	2,000	122	47	3,131	831	18,017
-	4,586	-	-	34	-	10,758
-	-	-	-	-	-	11,691
-	-	1	-	-	-	868
46,429	50,823	17,047	34,213	27,122	15,390	719,801
241	4,889	811	(32,708)	111,538	(444)	73,148
-	-	-	34,921	-	-	34,921
-	-	-	-	25	31	564
45	146	50	63	4,287	94	7,030
349	27	-	-	-	-	9,225
3	41	-	-	-	179	1,381
-	(1)	-	-	-	51	3,625
-	-	-	-	-	-	175
-	(220)	-	-	(6,411)	(185)	(6,978)
-	(44)	-	-	-	(11)	(55)
397	(51)	50	34,984	(2,099)	159	49,888
638	4,838	861	2,276	109,439	(285)	123,036
-	1,280	-	-	-	-	3,265
-	1,085	-	-	-	27	21,821
(641)	(1,815)	(80)	(1,553)	-	(317)	(17,919)
(641)	550	(80)	(1,553)	-	(290)	7,167
(3)	5,388	781	723	109,439	(575)	130,203
23,500	47,975	4,212	4,410	344,661	16,939	1,170,801
-	(143)	-	-	(1,673)	(115)	(1,931)
$ 23,497	$ 53,220	$ 4,993	$ 5,133	$ 452,427	$ 16,249	$ 1,299,073

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from:				
Tuition, Fees, and Student Loans	$ -	$ -	$ -	$ -
Fees for Service	291	75,100	-	4,167
Sales of Products	-	3,225	-	121
Gifts, Grants, and Contracts	985	30,034	335,776	-
Loan and Note Repayments	392	-	-	-
Income from Property	-	8,849	-	645
Other Sources	-	51,786	7,511	1,946
Cash Payments to or for:				
Employees	(23)	(81,300)	(1,981)	(2,601)
Suppliers	(25,048)	(50,868)	(76,364)	(4,590)
Sales Commissions and Lottery Prizes	-	(6,416)	-	-
Others for Student Loans and Loan Losses	-	-	(267,463)	-
Other Governments	-	(6,138)	-	-
Other	(989)	(7,204)	-	(979)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(24,392)	17,068	(2,521)	(1,291)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers-In	-	20,189	-	520
Transfers-Out	(21)	(13,324)	(60)	(108)
Receipt of Deposits Held in Custody	-	1	-	-
Release of Deposits Held in Custody	-	-	-	-
Gifts and Grants for Other Than Capital Purposes	-	750	-	-
NonCapital Debt Service Payments	-	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(21)	7,616	(60)	412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(151)	(19,863)	(126)	(660)
Capital Gifts, Grants, and Contracts	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	598
Capital Debt Service Payments	-	(41)	-	(7)
Capital Lease Payments	-	-	-	(120)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(151)	(19,904)	(126)	(189)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 469	$ 469
11,117	29,602	-	1	120,523	4,220	245,021
34,720	20	18,026	-	-	866	56,978
2,469	24,387	-	1,071	39,066	912	434,700
-	-	-	-	-	-	392
349	27	-	-	-	1,049	10,919
229	33	20	33,752	53,688	6,058	155,023
(11,660)	(33,683)	(3,485)	(3,006)	(4,956)	(5,773)	(148,468)
(34,582)	(10,132)	(13,286)	(29,409)	(23,119)	(8,432)	(275,830)
-	-	-	-	-	-	(6,416)
-	-	-	-	-	-	(267,463)
-	(4,028)	-	(95)	(34)	-	(10,295)
(55)	(29)	(3)	(5)	(334)	(155)	(9,753)
2,587	6,197	1,272	2,309	184,834	(786)	185,277
-	1,085	-	-	48	27	21,869
(641)	(1,815)	(80)	(1,553)	(48)	(317)	(17,967)
2	-	-	-	-	97	100
(2)	-	-	-	-	(129)	(131)
3	41	-	-	-	179	973
-	(549)	-	-	-	-	(549)
(638)	(1,238)	(80)	(1,553)	-	(143)	4,295
(653)	(2,161)	-	-	(201,560)	(599)	(225,773)
-	1,280	-	-	-	-	1,280
-	34	-	-	-	-	632
-	-	-	-	(6,305)	(583)	(6,936)
-	(425)	-	-	-	-	(545)
(653)	(1,272)	-	-	(207,865)	(1,182)	(231,342)

(Continued)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)	COLLEGEINVEST	PARKS AND WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	1,331	946	8,762	1,068
Proceeds from Sale/Maturity of Investments	21,701	-	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	176	331	259	
NET CASH FROM INVESTING ACTIVITIES	23,208	1,277	9,021	1,068
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(1,356)	6,057	6,314	-
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	67,793	96,414	65,266	-
CASH AND POOLED CASH, FISCAL YEAR END	$ 66,437	$ 102,471	$ 71,580	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH				
PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (368)	$ (23,873)	$ 16,254	$ (3,192)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	1	10,679	77	741
Investment/Rental Income and Other Revenue in Operating Income	(1,257)	-	(9,021)	-
Net Periodic Pension Cost				
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	12,739	-	408
(Gain)/Loss on Disposal of Capital and Other Assets	-	7,891	-	-
Compensated Absences	26	(626)	(15)	1
Interest and Other Expense in Operating Income	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
(Increase) Decrease in Operating Receivables	1,403	3,222	(1,327)	5
(Increase) Decrease in Inventories	-	(103)	-	5
(Increase) Decrease in Other Operating Assets	(6)	686	73	60
Increase (Decrease) in Accounts Payable	579	1,552	(10,204)	657
Increase (Decrease) in Other Operating Liabilities	(24,770)	4,901	1,642	24
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (24,392)	$ 17,068	$ (2,521)	$ (1,291)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:				
Capital Assets Funded by the Capital Projects Fund	3,556	15	-	398
Capital Assets Acquired by Grants or Donations and Payable Increases	-	1,536	-	35
Loss on Disposal of Capital and Other Assets		7,891	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	TRANSPORTATION ENTERPRISE	OTHER ENTERPRISE ACTIVITIES	TOTALS
30	98	37	44	3,414	78	15,808
-	-	-	-	117,660	-	139,361
15	48	11	20	972	16	1,848
45	146	48	64	122,046	94	157,017
1,341	3,833	1,240	820	99,015	(2,017)	115,247
4,806	9,258	2,174	5,178	197,689	12,600	461,178
$ 6,147	$ 13,091	$ 3,414	$ 5,998	$ 296,704	$ 10,583	$ 576,425
$ 241	$ 4,889	$ 811	$ (32,708)	$ 111,538	$ (444)	$ 73,148
388	2,000	122	47	3,131	831	18,017
-	-	-	-	-	-	(10,278)
						0
349	24	-	34,921	25	31	48,497
60	-	-	-	-	21	7,972
91	91	8	5	(5)	164	(260)
-	-	-	-	(17,963)	(40)	(18,003)
1,772	(102)	186	(1,601)	20,930	106	24,594
(1,342)	(29)	(94)	-	-	11	(1,552)
(4)	1	-	-	(11)	(14)	785
931	717	239	1,645	12,576	57	8,749
101	(1,394)	-	-	54,613	(1,509)	33,608
$ 2,587	$ 6,197	$ 1,272	$ 2,309	$ 184,834	$ (786)	$ 185,277
-		-	-	-	-	3,969
-		-	-	-	-	1,571
60	19	-	-	-	21	7,991

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.
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, 2014

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 5,873	$ 43,825	$ 2,606	$ -
Other Receivables, net	312	81	49	6
Due From Other Governments	285	203	-	-
Due From Other Funds	4	1,056	-	-
Inventories	357	-	250	116
Prepaids and Advances	25	5,087	-	-
Total Current Assets	6,856	50,252	2,905	122
Noncurrent Assets:				
Depreciable Capital Assets and Infrastructure, net	58,183	5,973	20,590	224
Land and Nondepreciable Capital Assets	-	33,498	-	-
Total Noncurrent Assets	58,183	39,471	20,590	224
TOTAL ASSETS	65,039	89,723	23,495	346
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,785	26,473	1,178	76
Due To Other Funds	6	856	-	217
Unearned Revenue	-	4,929	-	-
Compensated Absences Payable	6	93	-	-
Leases Payable	14,011	3,474	958	-
Notes, Bonds, and COPs Payable	870	-	-	-
Other Current Liabilities	37	-	-	-
Total Current Liabilities	17,715	35,825	2,136	293
Noncurrent Liabilities:				
Accrued Compensated Absences	504	5,586	246	-
Capital Lease Payable	41,770	25,896	15,897	-
Total Noncurrent Liabilities	42,274	31,482	16,143	-
TOTAL LIABILITIES	59,989	67,307	18,279	293
DEFERRED INFLOW OF RESOURCES:	-	-	-	-
NET POSITION:				
Net investment in Capital Assets:	1,531	17,556	3,735	224
Unrestricted	3,519	4,860	1,481	(171)
TOTAL NET POSITION	$ 5,050	$ 22,416	$ 5,216	$ 53

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 629	$ 1,132	$ 2,915	$ 843	$ 57,823
2	4	29	26	509
-	-	-	-	488
4	-	2	-	1,066
-	-	-	-	723
-	-	18	-	5,130
635	1,136	2,964	869	65,739
671	1	403	-	86,045
-	-	-	-	33,498
671	1	403	-	119,543
1,306	1,137	3,367	869	185,282
-	-	-	-	-
59	306	2,269	197	33,343
-	-	-	-	1,079
-	-	-	45	4,974
-	10	190	-	299
-	-	-	-	18,443
-	-	-	-	870
-	-	-	-	37
59	316	2,459	242	59,045
-	276	1,610	41	8,263
-	-	-	-	83,563
-	276	1,610	41	91,826
59	592	4,069	283	150,871
-	-	-	-	-
671	1	403	-	24,121
576	544	(1,105)	586	10,290
$ 1,247	$ 545	$ (702)	$ 586	$ 34,411

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX	HIGHWAYS
OPERATING REVENUES:				
Sales of Goods and Services	$ 62,797	$ 193,258	$ 15	$ 2,048
Rental Income	-	-	14,450	-
Other	109	14	1	-
TOTAL OPERATING REVENUES	62,906	193,272	14,466	2,048
OPERATING EXPENSES:				
Salaries and Fringe Benefits	7,883	122,250	3,451	1,005
Operating and Travel	29,832	62,734	6,239	1,026
Cost of Goods Sold	8,347	-	-	-
Depreciation and Amortization	14,880	531	1,405	38
Intergovernmental Distributions	-	-	3	-
TOTAL OPERATING EXPENSES	60,942	185,515	11,098	2,069
OPERATING INCOME (LOSS)	1,964	7,757	3,368	(21)
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income (Loss)	5	144	-	-
Federal Grants and Contracts	-	231	585	-
Gain/(Loss) on Sale or Impairment of Capital Assets	1,143	621	3	-
Debt Service	(1,465)	(392)	(823)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(317)	604	(235)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,647	8,361	3,133	(21)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	1,159	-	-	-
Transfers-In	512	4,804	29	-
Transfers-Out	(877)	(627)	(2,586)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	794	4,177	(2,557)	-
CHANGE IN NET POSITION	2,441	12,538	576	(21)
NET POSITION - FISCAL YEAR BEGINNING	1,176	9,942	4,640	74
Prior Period Adjustments (See Note 29A)	1,433	-	-	-
Accounting Changes (See Note 29B)	-	(64)	-	-
NET POSITION - FISCAL YEAR ENDING	$ 5,050	$ 22,416	$ 5,216	$ 53

PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ 182	$ 4,455	$ 33,150	$ 5,059	$ 300,964
-	-	-	-	14,450
1	-	11	-	136
183	4,455	33,161	5,059	315,550
136	3,781	26,243	1,587	166,336
389	698	976	1,504	103,398
-	-	-	-	8,347
630	3	29	-	17,516
-	-	-	-	3
1,155	4,482	27,248	3,091	295,600
(972)	(27)	5,913	1,968	19,950
-	10	13	-	172
-	-	-	-	816
-	-	-	(4)	1,763
-	-	(6)	-	(2,686)
-	10	7	(4)	65
(972)	(17)	5,920	1,964	20,015
-	-	-	-	1,159
396	-	-	-	5,741
(11)	(171)	(5,001)	(2,148)	(11,421)
385	(171)	(5,001)	(2,148)	(4,521)
(587)	(188)	919	(184)	15,494
1,834	733	(1,621)	770	17,548
-	-	-	-	1,433
-	-	-		(64)
$ 1,247	$ 545	$ (702)	$ 586	$ 34,411

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ -	$ -	$ -
Fees for Service	62,756	199,594	15
Sales of Products	56	-	-
Gifts, Grants, and Contracts	-	227	585
Income from Property	-	-	14,377
Other Sources	109	14	5
Cash Payments to or for:			
Employees	(6,948)	(82,721)	(3,272)
Suppliers	(37,983)	(93,691)	(6,969)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	(3)
Other	(37)	(283)	-
Component Unit Cash Flows from Operating Activities			
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,953	23,140	4,738
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	512	4,804	29
Transfers-Out	(877)	(627)	(2,586)
Receipt of Deposits Held in Custody	136	-	-
Release of Deposits Held in Custody	(214)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(443)	4,177	(2,557)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(7,668)	(17,343)	(1,344)
Proceeds from Sale of Capital Assets	9,870	-	-
Capital Debt Service Payments	(1,782)	(3,625)	-
Capital Lease Payments	(15,783)	(14,733)	(1,973)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(15,363)	(35,701)	(3,317)

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
$ -	$ 3	$ -	$ -	$ -	$ 3
967	182	4,495	33,121	5,037	306,167
1,079	-	-	-	6	1,141
-	-	-	10	-	822
-	-	-	-	-	14,377
-	1	-	1	26	156
(985)	(134)	(3,658)	(23,454)	(1,291)	(122,463)
(891)	(369)	(861)	(1,337)	(1,026)	(143,127)
-	-	-	-	(829)	(829)
-	-	-	-	-	(3)
-	-	-	-	(81)	(401)
170	(317)	(24)	8,341	1,842	55,843
-	396	-	-	-	5,741
-	(11)	(171)	(5,001)	(2,148)	(11,421)
-	-	-	-	-	136
-	-	-	-	-	(214)
-	385	(171)	(5,001)	(2,148)	(5,758)
(398)	(2)	-	(432)	-	(27,187)
228	-	-	-	-	10,098
-	-	-	(6)	-	(5,413)
-	-	-	-	-	(32,489)
(170)	(2)	-	(438)	-	(54,991)

(Continued)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

(DOLLARS IN THOUSANDS)

	CENTRAL SERVICES	INFORMATION TECHNOLOGY	CAPITOL COMPLEX
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	5	12	-
Increase(Decrease) from Unrealized Gain(Loss) on Investments	-	131	-
NET CASH FROM INVESTING ACTIVITIES	5	143	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	2,152	(8,241)	(1,136)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	3,721	52,066	3,742
CASH AND POOLED CASH, FISCAL YEAR END	$ 5,873	$ 43,825	$ 2,606
RECONCILIATION OF OPERATING INCOME TO NET CASH			
PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 1,964	$ 7,757	$ 3,368
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,880	531	1,405
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	231	588
Compensated Absences	12	(349)	(2)
Insurance Premiums and State Subsidy			
Claims and General Insurance Expenses Paid			
Interest and Other Expense in Operating Income	49	-	182
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	16	3,007	(32)
(Increase) Decrease in Inventories	276	-	30
(Increase) Decrease in Other Operating Assets	(5)	(2,994)	-
Increase (Decrease) in Accounts Payable	761	11,633	(761)
Increase (Decrease) in Other Operating Liabilities	-	3,324	(40)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 17,953	$ 23,140	$ 4,738
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	1,159	-	-
Loss on Disposal of Capital and Other Assets	-	-	-
Assumption of Capital Lease Obligation or Mortgage	22,303	-	-
Application of Prepaid Lease Expense			

HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	LEGAL SERVICES	OTHER INTERNAL SERVICE ACTIVITIES	TOTALS
-	-	7	-	-	24
	-	3	13		147
-	-	10	13	-	171
-	66	(185)	2,915	(306)	(4,735)
-	563	1,317	-	1,149	62,558
$ -	$ 629	$ 1,132	$ 2,915	$ 843	$ 57,823
$ (21)	$ (972)	$ (27)	$ 5,913	$ 1,968	$ 19,950
38	630	3	29	-	17,516
-	-	-	-	-	819
-	-	(6)	179	4	(162)
2	2	-	-	-	235
(2)	1	40	(31)	(17)	2,982
96	-	-	-	-	402
-	-	-	(18)	1	(3,016)
57	22	(34)	2,269	(140)	13,807
-	-	-	-	26	3,310
$ 170	$ (317)	$ (24)	$ 8,341	$ 1,842	$ 55,843
-	-	-	-	-	1,159
-	-	-	-	4	4
-	-	-	-	-	22,303

FIDUCIARY FUNDS

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

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

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

UNCLAIMED PROPERTY

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

COLLEGE SAVINGS PLAN

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

COLLEGE OPPORTUNITY FUND

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

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

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

AGENCY FUNDS

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 4,835	$ 120,937	$ 34,553
Investments	-	-	-
Other Receivables, net	20	-	5,864
Due From Other Funds	-	801	5,700
Noncurrent Assets:			
Investments:			
Government Securities	-	3,054	-
Corporate Bonds	-	5,522	-
Repurchase Agreements	-	-	1,081
Asset Backed Securities	-	762	-
Mortgages	-	1,300	-
Mutual Funds	-	-	5,789,152
Other Investments	-	-	78,299
TOTAL ASSETS	4,855	132,376	5,914,649
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	1,195	6,496
Unearned Revenue	-	-	3,044
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	2,961
TOTAL LIABILITIES	-	1,195	12,501
NET POSITION:			
Held in Trust for:			
Individuals, Organizations, and Other Entities	4,855	131,181	5,902,148
TOTAL NET POSITION	$ 4,855	$ 131,181	$ 5,902,148

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ -	$ -	$ 4,790	$ 165,115
-	-	646	646
-	-	678	6,562
12	-	-	6,513
-	10,630	-	13,684
-	-	-	5,522
-	-	-	1,081
-	-	-	762
-	-	-	1,300
-	-	-	5,789,152
-	-	-	78,299
12	10,630	6,114	6,068,636
-	-	1,126	8,817
-	-	3,434	6,478
-	-	-	2,961
-	-	4,560	18,256
12	10,630	1,554	6,050,380
$ 12	$ 10,630	$ 1,554	$ 6,050,380

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	TREASURER'S	UNCLAIMED PROPERTY	COLLEGE SAVINGS PLAN
ADDITIONS:			
Additions By Participants	$ -	$ -	$ 740,958
Investment Income/(Loss)	43	833	711,192
Unclaimed Property Receipts	-	35,759	-
Other Additions	780	-	746
TOTAL ADDITIONS	823	36,592	1,452,896
DEDUCTIONS:			
Distributions to Participants	-	-	-
Payments in Accordance with Trust Agreements	269	26,958	524,973
Transfers-Out	-	-	-
TOTAL DEDUCTIONS	269	26,958	524,973
CHANGE IN NET POSITION	554	9,634	927,923
NET POSITION - FISCAL YEAR BEGINNING	4,301	121,547	4,974,225
NET POSITION - FISCAL YEAR ENDING	$ 4,855	$ 131,181	$ 5,902,148

COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
$ 257,065	$ -	$ 9,270	$ 1,007,293
-	(487)	60	711,641
-	-	-	35,759
-	-	1,549	3,075
257,065	(487)	10,879	1,757,768
257,053	451	-	257,504
-	-	10,401	562,601
-	-	153	153
257,053	451	10,554	820,258
12	(938)	325	937,510
-	11,568	1,229	5,112,870
$ 12	$ 10,630	$ 1,554	$ 6,050,380

COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 115,944	$ 2,498,308	$ 2,499,622	$ 114,630
Taxes Receivable, net	140,864	111,857	107,472	145,249
TOTAL ASSETS	$ 256,808	$ 2,610,165	$ 2,607,094	$ 259,879
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 3,226	$ 12,677	$ 15,903	$ -
Due To Other Governments	252,922	2,494,340	2,491,849	255,413
Claims and Judgments Payable	36	1,438	1,418	56
Other Long-Term Liabilities	624	11,365	7,579	4,410
TOTAL LIABILITIES	$ 256,808	$ 2,519,820	$ 2,516,749	$ 259,879

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 125,088	$ 292,602	$ 260,155	$ 157,535
Taxes Receivable, net	5,946	6,025	5,851	6,120
Other Receivables, net	380	3,950	3,979	351
Inventories	7	32	33	6
Other Long-Term Assets	14,325	519	1,155	13,689
TOTAL ASSETS	$ 145,746	$ 303,128	$ 271,173	$ 177,701
LIABILITIES:				
Tax Refunds Payable	$ 131	$ 952	$ 1,083	$ -
Accounts Payable and Accrued Liabilities	1,142	26,165	26,033	1,274
Due To Other Governments	10,347	104,001	103,725	10,623
Due To Other Funds	978	46,898	46,790	1,086
Unearned Revenue	-	453	453	-
Claims and Judgments Payable	394	120	424	90
Other Current Liabilities	131,838	134,582	102,604	163,816
Deposits Held In Custody For Others	895	1,034	1,415	514
Other Long-Term Liabilities	21	830	553	298
TOTAL LIABILITIES	$ 145,746	$ 315,035	$ 283,080	$ 177,701

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 609,841	$ 311,252	$ 493,456	$ 427,637
Due From Other Funds	10,005	31,557	31,042	10,520
TOTAL ASSETS	$ 619,846	$ 342,809	$ 524,498	$ 438,157
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 104	$ 102	$ 2
Other Current Liabilities	599,269	387,557	551,162	435,664
Deposits Held In Custody For Others	20,577	497	18,583	2,491
TOTAL LIABILITIES	$ 619,846	$ 388,158	$ 569,847	$ 438,157

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 850,873	$ 3,102,162	$ 3,253,233	$ 699,802
Taxes Receivable, net	146,810	117,882	113,323	151,369
Contributions Receivable, net				
Other Receivables, net	380	3,950	3,979	351
Due From Other Funds	10,005	31,558	31,043	10,520
Inventories	7	32	33	6
Other Long-Term Assets	14,325	519	1,155	13,689
TOTAL ASSETS	$ 1,022,400	$ 3,256,103	$ 3,402,766	$ 875,737
LIABILITIES:				
Tax Refunds Payable	$ 3,357	$ 13,629	$ 16,986	$ -
Accounts Payable and Accrued Liabilities	1,142	26,269	26,135	1,276
Due To Other Governments	263,269	2,598,341	2,595,574	266,036
Due To Other Funds	978	46,898	46,790	1,086
Unearned Revenue	-	453	453	-
Claims and Judgments Payable	430	1,558	1,842	146
Other Current Liabilities	731,107	522,139	653,766	599,480
Deposits Held In Custody For Others	21,472	1,531	19,998	3,005
Other Long-Term Liabilities	645	12,195	8,132	4,708
TOTAL LIABILITIES	$ 1,022,400	$ 3,223,013	$ 3,369,676	$ 875,737

COMPONENT UNITS

The following statements present the Other Component Units (Nonmajor) aggregated in the combined component unit statements beginning on page 66. Descriptions of each of the component units presented can be found in Note 38 on page 147.

COMBINING STATEMENT OF NET POSITION
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	TOTAL
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 1,871	$ 11,309	$ 6,167	$ 531	$ 19,878
Investments	-	67,411	-	-	67,411
Contributions Receivable, net	-	-	4,150	-	4,150
Other Receivables, net	205	283	18	132	638
Due From Other Governments	-	-	-	344	344
Total Current Assets	2,076	79,003	10,335	1,007	92,421
Noncurrent Assets:					
Restricted Cash and Pooled Cash	17,590	-	-	6,663	24,253
Investments	-	-	42,126	-	42,126
Other Long-Term Assets	297	-	-	1,393	1,690
Depreciable Capital Assets and Infrastructure, net	121,106	-	-	42,156	163,262
Land and Nondepreciable Capital Assets	19,743	-	-	5,112	24,855
Total Noncurrent Assets	158,736	-	42,126	55,324	256,186
TOTAL ASSETS	160,812	79,003	52,461	56,331	348,607
DEFERRED OUTFLOW OF RESOURCES:	-	-	-	-	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	-	97	-	1,261	1,358
Unearned Revenue	-	3,506	4,150	-	7,656
Claims and Judgments Payable	-	22,251	-	-	22,251
Other Current Liabilities	-	-	-	208	208
Total Current Liabilities	-	25,854	4,150	1,469	31,473
Noncurrent Liabilities:					
Notes, Bonds, and COPs Payable	-	-	-	54,590	54,590
Other Long-Term Liabilities	12	-	-	-	12
Total Noncurrent Liabilities	12	-	-	54,590	54,602
TOTAL LIABILITIES	12	25,854	4,150	56,059	86,075
DEFERRED INFLOW OF RESOURCES:	-	-	-	-	-
NET POSITION:					
Net investment in Capital Assets:	140,849	-	-	47,267	188,116
Restricted for:					
Emergencies	63	-	-	-	63
Other Purposes	17,590	-	-	-	17,590
Unrestricted	2,298	53,149	48,311	(46,995)	56,763
TOTAL NET POSITION	$ 160,800	$ 53,149	$ 48,311	$ 272	$ 262,532

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION OTHER COMPONENT UNITS (NONMAJOR) FOR THE YEAR ENDED JUNE 30, 2014

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	HLC @ METRO	TOTAL
OPERATING REVENUES:					
Fees	$ -	$ 73,018	$ -	$ -	$ 73,018
Sales of Goods and Services	-	-	-	8,273	8,273
Investment Income (Loss)	-	-	(4,577)	-	(4,577)
Rental Income	1,335	-	-	-	1,335
Federal Grants and Contracts	-	2,455	-	-	2,455
TOTAL OPERATING REVENUES	1,335	75,473	(4,577)	8,273	80,504
OPERATING EXPENSES:					
Operating and Travel	327	130,406	58	5,013	135,804
Depreciation and Amortization	4,139	2	-	1,506	5,647
TOTAL OPERATING EXPENSES	4,466	130,408	58	6,519	141,451
OPERATING INCOME (LOSS)	(3,131)	(54,935)	(4,635)	1,754	(60,947)
NONOPERATING REVENUES AND (EXPENSES):					
Investment Income (Loss)	763	148	67	18	996
Gifts and Donations	-	-	4,150	391	4,541
Federal Grants and Contracts	-	-	-	955	955
Gain/(Loss) on Sale or Impairment of Capital Assets	22,335	-	-		22,335
Debt Service	-	-	-	(3,382)	(3,382)
Other Expenses	-	(15,000)	-	(30)	(15,030)
Other Revenues	736	12,171	18	-	12,925
TOTAL NONOPERATING REVENUES (EXPENSES)	23,834	(2,681)	4,235	(2,048)	23,340
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	20,703	(57,616)	(400)	(294)	(37,607)
CHANGE IN NET POSITION	20,703	(57,616)	(400)	(294)	(37,607)
NET POSITION - FISCAL YEAR BEGINNING	140,097	110,765	48,711	(4,655)	294,918
Prior Period Adjustments (See Note 29A)	-	-	-	5,221	5,221
NET POSITION - FISCAL YEAR ENDING	$ 160,800	$ 53,149	$ 48,311	$ 272	$ 262,532

CAPITAL ASSETS

The following schedule presents the capital assets, net of accumulated depreciation, used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Position.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2014

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 3	$ -	$ -
Legislature	-	-	-	-
Military Affairs	3,556	10,351	71,252	-
Personnel & Administration	5,739	2,381	53,358	-
Revenue	-	-	-	-
Subtotal	9,295	12,735	124,610	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	103	-	8,127	-
[1]GOV, CEO, OEDIT	-	-	-	51
Labor and Employment	543	267	6,020	-
Local Affairs	-	182	-	-
Regulatory Agencies	-	43	-	-
Revenue	536	-	934	-
State	-	-	-	-
Subtotal	1,182	492	15,081	51
EDUCATION				
Education	152	40	419,363	1,463
Higher Education	1,842	869	105,609	9,059
Subtotal	1,994	909	524,972	10,522
HEALTH AND REHABILITATION				
Public Health and Environment	188	1	4,736	-
Human Services	3,068	3,038	98,134	-
Subtotal	3,256	3,039	102,870	-
JUSTICE				
Corrections	3,987	3,309	597,252	-
DHS, Division of Youth Services	1,675	486	80,000	-
Judicial	1,605	8	236,352	2,479
Law	-	-	-	9
Public Safety	1,399	1,673	21,916	-
Regulatory Agencies	-	-	-	-
Subtotal	8,666	5,476	935,520	2,488
NATURAL RESOURCES				
Natural Resources	49,472	96	17,059	-
SOCIAL ASSISTANCE				
Human Services	-	1,002	2,347	-
Military Affairs	36	1,421	2,008	-
Health Care Policy and Financing	-	-	-	-
Subtotal	36	2,423	4,355	-
TRANSPORTATION				
Transportation	15,707	136	117,713	-
TOTAL CAPITAL ASSETS	$ 89,608	$ 25,306	$ 1,842,180	$ 13,061

[1]Governor's Office, Colorado Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	SOFTWARE	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 19,576	$ 358	$ 6,969	$ 33,869	$ -	$ 60,775
464	28	-	46	-	538
316	2	-	1,455	-	86,932
75,891	125	15	16,047	-	153,556
1,202	10,517	-	2,602	-	14,321
97,449	11,030	6,984	54,019	-	316,122
2,125	157	-	109	-	10,621
64	-	-	-	-	115
246	1,216	(282)	13,042	-	21,052
26	5	-	-	-	213
162	101	-	-	-	306
86	15	-	-	-	1,571
896	(63)	-	-	-	833
3,605	1,431	(282)	13,151	-	34,711
1,289	882	-	215,635	-	638,824
1,255	89	-	2,028	56	120,807
2,544	971	-	217,663	56	759,631
5,040	1,431	5,517	-	-	16,913
1,571	-	61	6,468	-	112,340
6,611	1,431	5,578	6,468	-	129,253
8,800	298	907	3,822	-	618,375
253	-	-	3,488	-	85,902
16,392	4,502	-	9,918	-	271,256
1,676	223	-	-	-	1,908
14,864	5,143	175	3,424	-	48,594
26	-	-	-	-	26
42,011	10,166	1,082	20,652	-	1,026,061
832	9	1,152	1,728	-	70,348
2,501	47,254	-	7,269	-	60,373
83	-	-	-	-	3,548
137	345	-	55	-	537
2,721	47,599	-	7,324	-	64,458
141,809	6,723	-	560,591	8,288,992	9,131,671
$ 297,582	$ 79,360	$ 14,514	$ 881,596	$ 8,289,048	$ 11,532,255

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled “Other”. The schedule on the following pages provide a summary of assets, liabilities, and net position/fund balance of the individually significant funds that comprise the columns titled “Other”. Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2014

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	6,043	-	6,043
Wildlife for Future Generations (Expendable)	33-1-112	1,180	20	1,160
Other Permanent-Nonexpendable	VARIOUS	747	-	747
Veterans Monument Preservation	24-80-1401	77	-	77
Hall Historical Marker-Nonexpendable	24-80-209	$ 8	$ -	$ 8
Total Other Permanent Funds		$ 8,055	$ 20	$ 8,035
OTHER PRIVATE PURPOSE TRUST FUNDS				
Veteran's Private Contribution	28-5-706	-	-	-
Supplemental Purse & Breeders Awards	12-60-704	647	-	647
Early Intervention Services Trust	27-10.5-706	5,176	4,545	631
Brand Estray Fund	35-41-102	291	15	276
Total Other Private Purpose Funds		$ 6,114	$ 4,560	$ 1,554
Capitol Parking Fund	NONE	14,438	5,799	8,639
Grounds Cash Fund	26-1-133.5(2	4,749	101	4,648
Brand Inspection Fund	35-41-102	6,256	5,359	897
Business Enterprise Program	26-8.5-107	1,135	284	851
Enterprise Services	24-80-209	897	357	540
Clean Screen Authority	42-4-307.5	528	-	528
Work Therapy	26-8-107	112	18	94
Other Enterprise Funds	VARIOUS	52	-	52
Total Other Enterprise Funds		$ 28,167	$ 11,918	$ 16,249
OTHER INTERNAL SERVICE FUNDS				
Debt Collection Fund	24-30-202.4	$ 763	$ 186	$ 577
Prof Development Cash Fund	24-50-122(2)	106	97	9
		$ 869	$ 283	$ 586
OTHER SPECIAL PURPOSE GENERAL FUNDS				
School Capital Construction Assistance-COPs	22-43.7-104	410,757	31,328	379,429
Controlled Maintenance Trust -Nonexpendable	24-75-302.5	78,965	-	78,965
School Capital Construction Assistance	22-43.7-104	57,171	1,924	55,247
Economic Development Fund	24-46-105	32,807	7,040	25,767
State Employee Reserve Fund	24-50-104	16,217	-	16,217
Legislative Department Cash	2-2-1601(1)	8,210	192	8,018
Intellectual and Development tal Disabilities Services	25.5-10-207	9,622	1,982	7,640
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Indirect Cost Excess Recovery Fund	24-75-1401	4,856	5	4,851
Ballot Information Publication & District Fund	1-40-124.5	3,068	-	3,068
Housing Development Grant Fund	24-32-721	2,922	240	2,682
Persistent Drunk Driver	42-3-130.5	1,890	178	1,712
Tax Amnesty Cash Fund	39-21-202	1,054	-	1,054
Colorado Healthcare Services	25.5-3-112	964	-	964
Charter School Assistance Fund	22-30.5-515	1,437	682	755
State Supplemental Security Income Stabilization	26-2-210(1)	548	-	548
Diseased Livestock Fund	35-50-140.5	434	-	434
Colorado Family Support Loan	27-10.5-502	412	2	410
Charter School Institute Fund	22-30.5-506	2,801	2,401	400
Colorado National Guard Tuition Fund	23-5-111.4	472	76	396
Legislative Expenses Fund	2-3-1002(1)	327	-	327
Conservation Trust Fund	24-35-210(10	12,442	12,192	250
Real Estate Proceeds	28-3-106	215	-	215
Advanced Technology Fund	25-16.5-105(	145	-	145
Colorado Heritage Communites Fund	24-32-3207	127	-	127

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2014

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Older Coloradans Cash Fund	26-11-205.5	1,541	1,462	79
Advanced Industries Export Account	24-47-103(8)	115	39	76
Start Smart Nutrition Program Fund	22-82.7-105	101	37	64
COFRS Warehouse Inventory	NONE	585	578	7
Youth Advisory Council Cash	2-2-1306	17	14	3
Child Protection Ombudsman Program	19-3.3-107(1	55	53	2
		$ 655,277	$ 60,425	$ 594,852
OTHER SPECIAL REVENUE FUNDS				
Mortgage Fraud Settlement Fund	NONE	36,622	1,255	35,367
Medical Marijuana License Fund	12-43.3-501	26,320	742	25,578
Gear Up Scholarship Trust Fund	RESTRICTED	24,923	2	24,921
Aviation Fund	43-10-109	16,407	2,772	13,635
Consumer Protection Custodial Funds	6-1-103	12,817	121	12,696
Supreme Court Committee	CRT RULE 227	17,595	5,157	12,438
Victims Assistance	24-4.2-104	10,820	49	10,771
Judicial Performance Cash Fund	13-32-101	10,752	-	10,752
Victims Compensation	24-4.1-117	9,796	28	9,768
Offender Services	16-11-214	7,856	-	7,856
Judicial Information Technology Cash Fund	Restricted	6,055	1	6,054
Advance Industries Acceleration	24-48.5-117(	5,912	606	5,306
Energy Efficiency Project Fund	24-38.5-106(	5,136	-	5,136
Justice Center Cash Fund	None	5,865	888	4,977
Community Development Block Grant	24-76-101	4,855	33	4,822
Disabled Telephone Users Fund	40-17-104	4,794	143	4,651
Division of Professions and Occupations	24-34-105	20,757	16,195	4,562
Judicial Collection Enhancement Fund	16-11-101.6(	3,990	-	3,990
Conveyance Safety Fund	9-5.5-111(2)	3,942	2	3,940
Secretary of State Fees Fund	24-21-104	5,105	1,245	3,860
HUD Section 8 Housing Choice Vouchers- Administration	29-4-708(K)	3,553	87	3,466
Supplier Database Cash Fund	24-102-202.5	3,407	43	3,364
CBI Identification Unit	24-33.5-426	4,008	664	3,344
Creative Industries Cash Fund	24-48.5-301(	3,099	76	3,023
Auto Theft Prevention Cash Fund	42-5-112(4A)	6,361	3,359	3,002
Donations	VARIOUS	4,603	1,742	2,861
Correctional Treatment Cash Fund	18-19-103(4)	2,762	-	2,762
Other Expendable Trusts	VARIOUS	13,371	10,692	2,679
Help America Vote Fund	HAVA 2002	2,717	159	2,558
Federal Tax Relief Act - 2003	RESTRICTED	2,523	40	2,483
Public School Construction and Inspection Fund	24-33.5-1207	2,484	81	2,403
Housing Rehabilitation Revolving Loans	None	2,350	-	2,350
Travel and Tourism Additional Fund	24-49.7-106	2,512	189	2,323
Inspection & Consumer Service Cash Fund	35-1-106.5	2,323	168	2,155
Victims Asst	24-33.5-506	2,073	186	1,887

(Continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET POSITION / FUND BALANCE FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, INTERNAL SERVICE FUNDS, AND SPECIAL REVENUE FUNDS JUNE 30, 2014

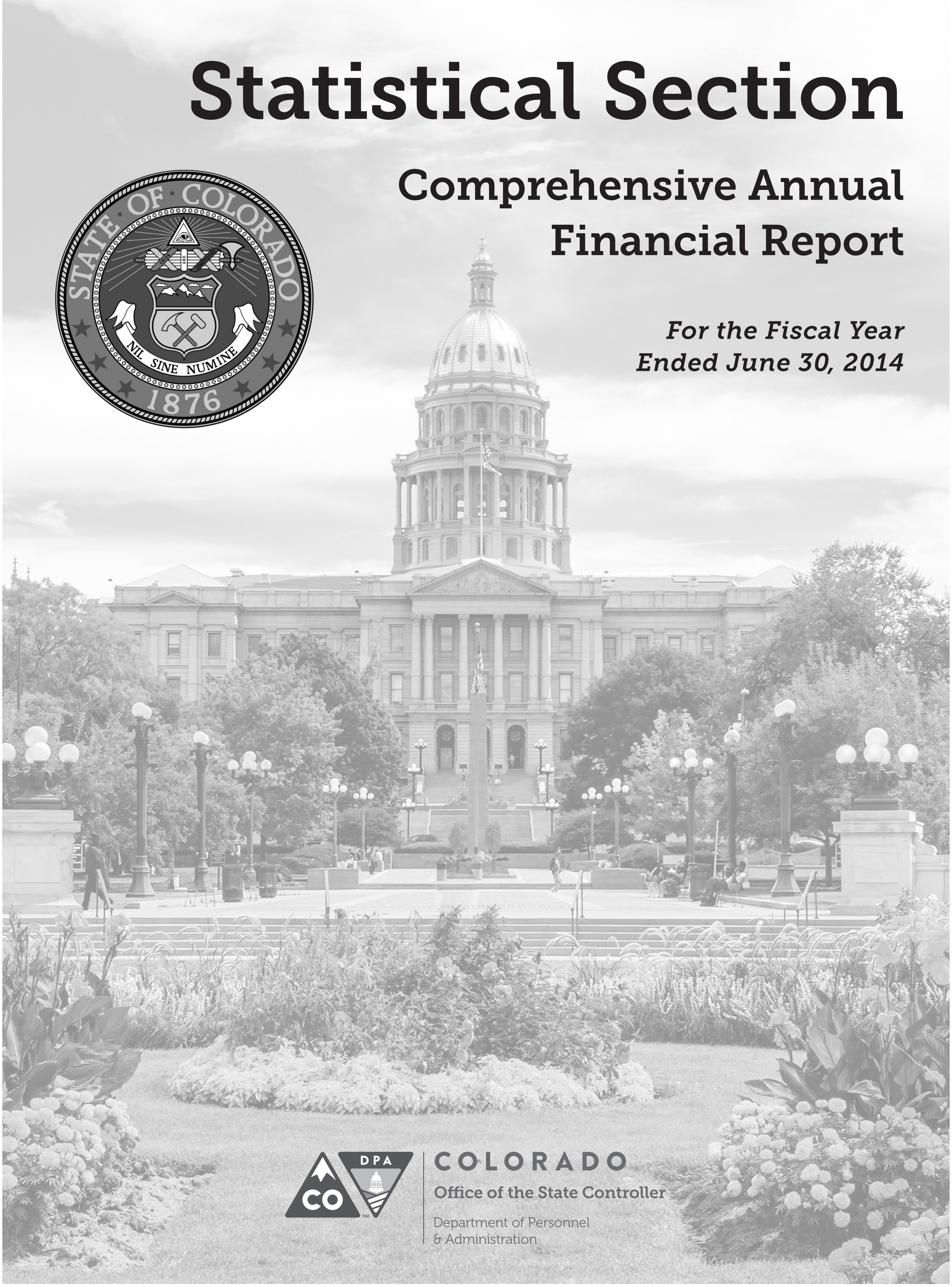
(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Position/ Fund Balance
Patient Benefit Fund	NONE	1,841	2	1,839
Instant Criminal Background Check	24-33.5-424	1,986	227	1,759
Plant Health, Pest Control, Environmental Protection	35-1-106.3(1	3,753	2,018	1,735
Uniform Consumer Credit Code Custodial Funds	Restricted	1,654	120	1,534
Public School Transportation	22-51-103(1)	2,081	581	1,500
Section 8 Pre Federal FY04	NONE	1,459	-	1,459
Commercial Vehicle Enterprise	42-1-225(1)	1,347	-	1,347
Liquor Law Enforcement	24-35-401	1,318	181	1,137
Colorado Dealer License Board	12-6-123	1,290	166	1,124
Attorney's Fees and Costs	24-31-108(2)	1,105	-	1,105
Fixed Utilities Fund	40-2-114	1,856	821	1,035
P.O.S.T Board Cash Fund	24-31-303(2)	1,723	709	1,014
Criminal Alien Assistance Cash	17-1-107.5	1,002	-	1,002
State Patrol Contraband	24-33.5-225	892	8	884
Division of Security Cash Fund	11-51-707	2,722	1,848	874
Public Deposit Administration Fund	11-10.5-112	1,153	302	851
Housing Urban Development Section 8 HC Vouchers HAP/UR	29-4-708(K)	1,877	1,039	838
Court Security Cash Fund	13-1-204(1)	1,314	486	828
Innovative Energy Fund	24-38.5-102.	908	87	821
CBI Contraband	24-33.5-415	810	23	787
Library Trust Fund	24-90-105	723	6	717
Traumatic Brain Injury Fund	None	1,226	541	685
Howard Fund	26-8-104(1)C	654	-	654
Law Enforcement Grant Fund	25-17-207(4)	549	2	547
Texaco Oil Overage Fund	NONE	544	-	544
Real Estate Cash Fund	12-61-111.5	3,366	2,865	501
Educator Licensure Cash Fund	22-60.5-112	638	144	494
Collection Agency Board Custodial	24-31-108	522	32	490
Home Grant Revolving Loan Fund	NONE	8,371	7,925	446
Exxon Oild Overcharge Funds	NONE	430	-	430
Historical Society Restricted Gift	24-80-209	433	31	402
Property Tax Exemption Fund	39-2-117(3)	508	110	398
Restorative Justince Surcharge	18-25-101(3)	404	7	397
State Public Financing Fund	24-36-121(7)	345	-	345
Wine Development Fund	35-29.5-105	407	68	339
Domestic Abuse Program	39-22-802	497	164	333
Historical Society Restricted Gift	24-80-209	1,511	1,181	330
Food Distribution Prog Service	26-1-121(4B)	392	69	323
Waste Tire Fire Prevention Fund	25-17-202.8	311	-	311
Agricultural Products Inspection	35-23-114(3)	519	209	310
Violent Offender Identification Fund	24-33.5-415.	511	207	304
Identity Theft Financial Fund	24-33.5-1707	302	26	276
Mortgate Company and Loan Originator Fund	12-61-908(2)	563	304	259
Diamond Shamrock Settlement	NONE	251	-	251
Vickers Oil Overcharge Funds	EX ORD 56-87	228	-	228
Interstate Probation Transfer Fund	18-1.3-204(4	232	6	226
Patient Benefit Fund	26-12-108(2)	226	-	226
Family-Friendly Court Program	13-3-113(6)	266	43	223
Family Support Registry Fund	26-13-115.5	201	-	201
Cervidae Disease Fund	35-50-115	200	-	200
146 Funds with Net Assets Below $200,000		22,189	16,435	5,754
Total Other Special Revenue Funds		$ 378,075	$ 85,718	$ 292,357

Statistical Section

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014



COLORADO
Office of the State Controller
Department of Personnel & Administration

STATISTICAL SECTION

This section of the State of Colorado's Comprehensive Annual Financial Report presents detailed current and historical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS	These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time at both the entity wide and fund-level perspectives.
REVENUE CAPACITY	These schedules contain information to help the reader assess the factors affecting the State's ability to generate and retain major revenue streams including income and sales taxes.
DEBT CAPACITY	These schedules present information to help the reader assess the sustainability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.
DEMOGRAPHIC AND ECONOMIC INFORMATION	These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.
OPERATING INFORMATION	These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	2010-11
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,302,356	$ 2,549,620	$ 1,969,331	$ 1,548,435
Investments	8,460	3,497	1,726	45,548
Taxes Receivable, net	1,224,629	1,118,329	1,012,147	830,730
Other Receivables, net	210,062	189,937	156,126	147,768
Due From Other Governments	570,721	369,249	318,460	486,655
Internal Balances	19,336	23,801	15,964	18,620
Due From Component Units	54	119	137	62
Inventories	53,125	55,319	17,057	19,837
Prepaids and Advances	73,025	57,465	53,961	56,543
Total Current Assets	4,461,768	4,367,336	3,544,909	3,154,198
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,554,938	1,798,432	1,779,413	1,635,476
Restricted Investments	657,772	598,209	591,083	1,097,797
Restricted Receivables	258,107	176,055	181,932	173,347
Investments	428,321	464,535	416,674	52,343
Other Long-Term Assets	686,349	740,735	712,736	761,498
Depreciable Capital Assets and Infrastructure, net	9,600,423	9,312,959	9,602,516	9,331,295
Land and Nondepreciable Capital Assets	1,931,832	2,170,769	1,903,604	1,780,945
Total Noncurrent Assets	16,117,742	15,261,694	15,187,958	14,832,701
TOTAL ASSETS	20,579,510	19,629,030	18,732,867	17,986,899
DEFERRED OUTFLOW OF RESOURCES:	18,289	-	-	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,211	718,077	661,829	625,145
Accounts Payable and Accrued Liabilities	1,043,961	742,225	677,471	785,496
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	245,300	198,953	228,229	216,956
Due To Other Funds	-	-	-	-
Due To Component Units	15	81	-	-
Unearned Revenue	92,674	95,026	125,174	111,506
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	10,470	10,955	9,859	9,741
Claims and Judgments Payable	61,623	46,873	44,858	44,641
Leases Payable	26,941	20,004	14,387	12,872
Notes, Bonds, and COPs Payable	187,910	174,340	162,670	145,165
Other Postemployment Benefits	-	-	-	-
Other Current Liabilities	19,979	14,834	16,531	13,748
Total Current Liabilities	2,407,790	2,022,074	1,941,714	1,965,976
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	139	17	16	14
Accrued Compensated Absences	145,992	138,413	132,394	137,139
Claims and Judgments Payable	301,591	323,451	330,516	340,003
Capital Lease Payable	148,055	131,006	107,042	94,716
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	-	-	-	-
Notes, Bonds, and COPs Payable	1,541,225	1,611,220	1,614,293	1,621,749
Due to Component Units	-	-	-	-
Other Postemployment Benefits	-	-	-	-
Other Long-Term Liabilities	402,954	444,118	427,828	434,194
Total Noncurrent Liabilities	2,539,956	2,648,225	2,612,089	2,627,815
TOTAL LIABILITIES	4,947,746	4,670,299	4,553,803	4,593,791
DEFERRED INFLOW OF RESOURCES:	338	-	-	-
NET POSITION:				
Net investment in Capital Assets:	10,125,644	10,107,082	10,107,432	9,836,378
Restricted for:				
Construction and Highway Maintenance	1,080,201	1,145,997	1,176,269	1,160,789
Education	1,110,180	1,265,476	280,269	485,171
Unemployment Insurance	-	-	-	-
Debt Service	44,752	33,113	21,453	10,127
Emergencies	153,150	161,350	72,850	85,400
Permanent Funds and Endowments:				
Expendable	7,271	6,328	6,024	8,017
Nonexpendable	800,132	694,564	684,953	641,802
Other Purposes	358,694	349,811	340,818	315,082
Unrestricted	1,969,691	1,195,010	1,488,996	850,342
TOTAL NET POSITION	$ 15,649,715	$ 14,958,731	$ 14,179,064	$ 13,393,108

GOVERNMENTAL ACTIVITIES

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 1,962,934	$ 2,217,711	$ 2,632,601	$ 2,455,425	$ 2,334,948	$ 1,944,751
15,224	1,498	565	998	12,637	10,440
857,246	920,086	946,077	956,149	845,241	731,647
158,060	182,540	188,347	153,218	153,916	146,906
516,248	475,997	355,519	280,637	264,688	307,704
14,153	14,617	14,545	13,756	26,313	18,122
84	66	63	65	56	110
16,468	16,183	16,703	14,053	14,906	18,266
38,591	33,244	23,790	28,527	28,735	23,700
3,579,008	3,861,942	4,178,210	3,902,828	3,681,440	3,201,646
1,572,925	1,813,365	2,061,543	1,689,703	1,349,184	1,199,258
687,314	694,311	620,325	552,211	491,780	465,819
195,753	184,120	187,018	279,140	335,774	311,462
529,059	98,815	96,743	80,695	48,173	24,162
644,867	600,020	442,911	425,886	395,612	356,325
9,689,916	2,360,036	2,282,645	1,288,308	1,322,945	1,348,957
1,637,224	10,480,438	10,291,250	11,799,975	11,649,792	11,613,109
14,957,058	16,231,105	15,982,435	16,115,918	15,593,260	15,319,092
18,536,066	20,093,047	20,160,645	20,018,746	19,274,700	18,520,738
-	-	-	-	-	-
664,781	633,722	561,117	486,576	457,124	476,445
847,550	779,008	837,311	694,602	633,685	679,425
706	706	706	727	2,917	41,064
181,684	223,415	183,696	176,864	247,548	192,611
-	-	-	-	-	-
-	-	-	-	-	-
128,404	150,632	97,174	65,389	66,290	73,609
-	-	-	-	-	-
10,287	8,930	9,776	9,533	9,437	7,900
44,181	36,936	37,775	40,948	49,415	38,738
11,384	8,227	6,002	2,807	1,461	3,403
642,445	637,066	574,150	457,250	526,235	628,395
-	-	-	-	-	-
20,432	9,818	11,794	9,615	10,318	25,092
2,551,854	2,488,460	2,319,501	1,944,311	2,004,430	2,166,682
-	-	-	-	-	-
13	16	16	17	17	16
138,224	140,675	128,760	116,262	112,860	111,418
347,394	358,371	335,636	295,874	343,452	430,978
85,746	83,586	54,029	27,649	16,021	18,905
-	-	-	-	-	-
-	-	-	-	-	-
1,554,964	1,146,960	1,274,720	1,390,671	1,503,686	1,467,924
-	-	-	-	-	-
-	-	-	-	-	-
402,599	397,774	217,793	206,972	210,369	198,520
2,528,940	2,127,382	2,010,954	2,037,445	2,186,405	2,227,761
5,080,794	4,615,842	4,330,455	3,981,756	4,190,835	4,394,443
-	-	-	-	-	-
10,118,621	11,631,061	11,348,995	11,804,908	11,662,529	11,771,877
1,198,849	1,220,524	1,350,485	1,196,903	824,698	679,440
194,586	338,365	353,149	225,818	153,043	123,867
-	-	-	-	-	-
4,093	558	558	558	580	3,298
94,000	93,550	93,000	85,760	79,800	71,000
11,130	8,588	2,333	1,782	1,642	1,953
643,148	623,619	587,733	515,997	460,473	433,538
138,826	197,918	231,532	299,777	198,996	141,933
1,052,019	1,363,022	1,862,405	1,905,487	1,702,104	899,389
$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	2010-11
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,246,115	$ 2,169,314	$ 2,011,437	$ 1,306,800
Investments	254,744	281,822	160,099	273,605
Taxes Receivable, net	135,207	137,970	159,303	186,161
Other Receivables, net	408,364	381,351	330,216	302,042
Due From Other Governments	150,697	155,190	218,667	177,822
Internal Balances	(19,336)	(23,801)	(15,964)	(18,620)
Due From Component Units	23,716	18,969	18,715	19,736
Inventories	54,015	52,826	53,318	43,600
Prepaids and Advances	37,433	24,806	24,160	18,018
Total Current Assets	3,290,955	3,198,447	2,959,951	2,309,164
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	429,965	352,234	372,457	409,652
Restricted Investments	303,678	292,283	293,711	98,146
Restricted Receivables	45,477	45,264	80,975	24,980
Investments	1,896,811	1,746,078	1,769,909	1,623,569
Other Long-Term Assets	99,380	128,105	114,118	122,939
Depreciable Capital Assets and Infrastructure, net	5,876,698	5,463,065	5,250,256	4,662,346
Land and Nondepreciable Capital Assets	1,370,142	1,229,761	1,019,556	938,544
Total Noncurrent Assets	10,022,151	9,256,790	8,900,982	7,880,176
TOTAL ASSETS	13,313,106	12,455,237	11,860,933	10,189,340
DEFERRED OUTFLOW OF RESOURCES:	118,103	551	5,005	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	-	-	-	-
Accounts Payable and Accrued Liabilities	659,085	602,571	623,458	556,294
TABOR Refund Liability (Note 8B)	-	-	-	-
Due To Other Governments	30,805	34,169	53,622	331,246
Due To Other Funds	-	-	-	-
Due To Component Units	528	343	123	524
Unearned Revenue	346,264	305,108	237,530	234,662
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	18,117	16,609	14,942	14,579
Claims and Judgments Payable	-	-	-	-
Leases Payable	6,610	6,575	5,853	4,950
Notes, Bonds, and COPs Payable	244,366	233,811	243,601	79,106
Other Postemployment Benefits	14,076	17,052	15,721	
Other Current Liabilities	127,033	142,868	110,667	141,484
Total Current Liabilities	1,446,884	1,359,106	1,305,517	1,362,845
Noncurrent Liabilities:				
Due to Other Funds	-	-	-	-
Deposits Held In Custody For Others	-	-	-	-
Accrued Compensated Absences	250,148	236,329	219,026	205,621
Claims and Judgments Payable	40,982	38,993	36,472	35,373
Capital Lease Payable	35,582	35,153	33,185	43,466
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,566	8,333	12,994	6,182
Notes, Bonds, and COPs Payable	4,131,227	3,898,265	3,938,320	3,117,100
Due to Component Units	1,743	1,755	1,758	2,374
Other Postemployment Benefits	181,511	177,176	139,653	105,876
Other Long-Term Liabilities	44,768	11,972	39,015	43,814
Total Noncurrent Liabilities	4,694,527	4,407,976	4,420,423	3,559,806
TOTAL LIABILITIES	6,141,411	5,767,082	5,725,940	4,922,651
DEFERRED INFLOW OF RESOURCES:	-	-	-	2,006
NET POSITION:				
Net investment in Capital Assets:	3,653,265	3,571,408	3,386,411	2,990,094
Restricted for:				
Construction and Highway Maintenance	-	-	-	-
Education	642,611	-	-	-
Unemployment Insurance	402,770	218,076	64,433	-
Debt Service	39,862	8,439	7,464	6,753
Emergencies	34,000	34,000	10,005	12,368
Permanent Funds and Endowments:				
Expendable	7,901	11,716	6,975	5,936
Nonexpendable	64,712	61,159	38,798	73,956
Other Purposes	56,296	631,921	629,655	657,292
Unrestricted	2,388,381	2,151,987	1,996,257	1,518,284
TOTAL NET POSITION	$ 7,289,798	$ 6,688,706	$ 6,139,998	$ 5,264,683

BUSINESS-TYPE ACTIVITIES

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 1,176,181	$ 1,220,190	$ 1,555,782	$ 1,430,836	$ 1,188,953	$ 872,618
253,270	386,948	272,804	326,087	328,466	670,346
90,005	73,326	82,431	81,745	105,973	103,598
282,053	245,768	239,790	219,488	209,497	206,946
158,787	142,961	125,894	126,391	99,040	95,170
(14,153)	(14,617)	(14,545)	(13,756)	(26,313)	(18,122)
14,474	12,630	16,348	15,334	11,141	9,294
42,779	42,467	42,271	38,000	35,747	34,797
19,244	20,091	17,055	15,751	13,148	13,723
2,022,640	2,129,764	2,337,830	2,239,876	1,965,652	1,988,370
353,164	368,308	446,681	149,811	187,895	160,283
239,719	201,025	259,115	555,310	424,826	453,876
239,041	1,916,974	1,716,722	1,408,588	1,173,312	1,015,134
1,206,671	1,154,901	1,008,382	972,922	887,302	225,329
119,387	123,599	119,650	112,693	108,606	119,359
3,912,771	3,594,383	3,464,979	2,851,692	2,718,135	2,719,778
1,207,048	928,243	576,755	835,182	561,525	403,037
7,277,801	8,287,433	7,592,284	6,886,198	6,061,601	5,096,796
9,300,441	10,417,197	9,930,114	9,126,074	8,027,253	7,085,166
7,778	-	-	-	-	-
-	-	-	-	-	-
596,926	506,318	467,741	413,788	380,194	350,347
-	-	-	-	-	-
406,275	182,922	26,885	38,501	30,749	38,472
-	-	-	-	-	-
466	930	1,112	273	1,067	1,607
232,371	207,551	190,528	183,805	171,411	145,432
-	-	-	-	-	-
13,035	12,753	12,745	12,578	14,284	14,103
-	-	7,398	11,717	7,430	8,233
6,672	6,282	5,976	4,950	4,851	6,039
100,329	85,456	75,567	62,998	83,271	85,672
126,232	241,129	208,542	126,574	94,214	107,228
1,482,306	1,243,341	996,494	855,184	787,471	757,133
-	-	-	-	-	-
-	-	-	-	-	-
196,295	185,420	166,402	153,320	136,837	131,883
29,461	27,541	28,482	28,220	48,396	20,019
76,702	83,206	83,113	63,671	55,873	84,101
-	4,285	4,285	-	-	-
7,778	-	-	-	-	-
2,682,987	3,917,559	3,466,484	3,100,764	2,488,738	2,062,837
2,501	723	1,233	-	-	-
47,259	31,689	15,775	-	-	-
36,450	43,321	40,756	54,097	53,138	52,022
3,079,433	4,293,744	3,806,530	3,400,072	2,782,982	2,350,862
4,561,739	5,537,085	4,803,024	4,255,256	3,570,453	3,107,995
-	-	-	-	-	-
2,854,803	2,665,270	2,411,662	2,256,929	2,256,602	2,238,068
-	-	-	-	-	-
-	-	-	-	-	-
-	392,984	765,533	675,574	548,780	321,725
6,100	111,778	180,409	125,656	105,348	122,290
16,257	21,282	33,716	37,472	29,883	27,247
6,825	6,935	9,592	5,313	4,757	16,483
71,738	70,420	74,479	97,821	82,698	76,460
630,890	582,006	491,492	411,112	364,310	303,714
1,159,867	1,029,437	1,160,207	1,260,941	1,064,422	871,184
$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,818	$ 4,456,800	$ 3,977,171

GOVERNMENT-WIDE
SCHEDULE OF NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	2010-11
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 4,548,471	$ 4,718,934	$ 3,980,768	$ 2,855,235
Investments	263,204	285,319	161,825	319,153
Taxes Receivable, net	1,359,836	1,256,299	1,171,450	1,016,891
Other Receivables, net	618,426	571,288	486,342	449,810
Due From Other Governments	721,418	524,439	537,127	664,477
Internal Balances	-	-	-	-
Due From Component Units	23,770	19,088	18,852	19,798
Inventories	107,140	108,145	70,375	63,437
Prepaids and Advances	110,458	82,271	78,121	74,561
Total Current Assets	7,752,723	7,565,783	6,504,860	5,463,362
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	2,984,903	2,150,666	2,151,870	2,045,128
Restricted Investments	961,450	890,492	884,794	1,195,943
Restricted Receivables	303,584	221,319	262,907	198,327
Investments	2,325,132	2,210,613	2,186,583	1,675,912
Other Long-Term Assets	785,729	868,840	826,854	884,437
Depreciable Capital Assets and Infrastructure, net	15,477,121	14,776,024	14,852,772	13,993,641
Land and Nondepreciable Capital Assets	3,301,974	3,400,530	2,923,160	2,719,489
Total Noncurrent Assets	26,139,893	24,518,484	24,088,940	22,712,877
TOTAL ASSETS	33,892,616	32,084,267	30,593,800	28,176,239
DEFERRED OUTFLOW OF RESOURCES:	136,392	551	5,005	-
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	718,211	718,077	661,829	625,145
Accounts Payable and Accrued Liabilities	1,703,046	1,344,796	1,300,929	1,341,790
TABOR Refund Liability (Note 8B)	706	706	706	706
Due To Other Governments	276,105	233,122	281,851	548,202
Due To Other Funds	-	-	-	-
Due To Component Units	543	424	123	524
Unearned Revenue	438,938	400,134	362,704	346,168
Obligations Under Securities Lending	-	-	-	-
Accrued Compensated Absences	28,587	27,564	24,801	24,320
Claims and Judgments Payable	61,623	46,873	44,858	44,641
Leases Payable	33,551	26,579	20,240	17,822
Notes, Bonds, and COPs Payable	432,276	408,151	406,271	224,271
Other Postemployment Benefits	14,076	17,052	15,721	-
Other Current Liabilities	147,012	157,702	127,198	155,232
Total Current Liabilities	3,854,674	3,381,180	3,247,231	3,328,821
Noncurrent Liabilities:				
Due to Other Funds				
Deposits Held In Custody For Others	139	17	16	14
Accrued Compensated Absences	396,140	374,742	351,420	342,760
Claims and Judgments Payable	342,573	362,444	366,988	375,376
Capital Lease Payable	183,637	166,159	140,227	138,182
Capital Lease Payable To Component Units	-	-	-	-
Derivative Instrument Liability	8,566	8,333	12,994	6,182
Notes, Bonds, and COPs Payable	5,672,452	5,509,485	5,552,613	4,738,849
Due to Component Units	1,743	1,755	1,758	2,374
Other Postemployment Benefits	181,511	177,176	139,653	105,876
Other Long-Term Liabilities	447,722	456,090	466,843	478,008
Total Noncurrent Liabilities	7,234,483	7,056,201	7,032,512	6,187,621
TOTAL LIABILITIES	11,089,157	10,437,381	10,279,743	9,516,442
DEFERRED INFLOW OF RESOURCES:	338	-	-	2,006
NET POSITION:				
Net investment in Capital Assets:	13,778,909	13,678,490	13,493,843	12,826,472
Restricted for:				
Construction and Highway Maintenance	1,080,201	1,145,997	1,176,269	1,160,789
Education	1,752,791	1,265,476	280,269	485,171
Unemployment Insurance	402,770	218,076	64,433	-
Debt Service	84,614	41,552	28,917	16,880
Emergencies	187,150	195,350	82,855	97,768
Permanent Funds and Endowments:				
Expendable	15,172	18,044	12,999	13,953
Nonexpendable	864,844	755,723	723,751	715,758
Other Purposes	414,990	981,732	970,473	972,374
Unrestricted	4,358,072	3,346,997	3,485,253	2,368,626
TOTAL NET POSITION	$ 22,939,513	$ 21,647,437	$ 20,319,062	$ 18,657,791

	TOTAL PRIMARY GOVERNMENT					
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
	$ 3,139,115	$ 3,437,901	$ 4,188,383	$ 3,886,261	$ 3,523,901	$ 2,817,369
	268,494	388,446	273,369	327,085	341,103	680,786
	947,251	993,412	1,028,508	1,037,894	951,214	835,245
	440,113	428,308	428,137	372,706	363,413	353,852
	675,035	618,958	481,413	407,028	363,728	402,874
	-	-	-	-	-	-
	14,558	12,696	16,411	15,399	11,197	9,404
	59,247	58,650	58,974	52,053	50,653	53,063
	57,835	53,335	40,845	44,278	41,883	37,423
	5,601,648	5,991,706	6,516,040	6,142,704	5,647,092	5,190,016
	1,926,089	2,181,673	2,508,224	1,839,514	1,537,079	1,359,541
	927,033	895,336	879,440	1,107,521	916,606	919,695
	434,794	2,101,094	1,903,740	1,687,728	1,509,086	1,326,596
	1,735,730	1,253,716	1,105,125	1,053,617	935,475	249,491
	764,254	723,619	562,561	538,579	504,218	475,684
	13,602,687	5,954,419	5,747,624	4,140,000	4,041,080	4,068,735
	2,844,272	11,408,681	10,868,005	12,635,157	12,211,317	12,016,146
	22,234,859	24,518,538	23,574,719	23,002,116	21,654,861	20,415,888
	27,836,507	30,510,244	30,090,759	29,144,820	27,301,953	25,605,904
	7,778	-	-	-	-	-
	664,781	633,722	561,117	486,576	457,124	476,445
	1,444,476	1,285,326	1,305,052	1,108,390	1,013,879	1,029,772
	706	706	706	727	2,917	41,064
	587,959	406,337	210,581	215,365	278,297	231,083
	-	-	-	-	-	-
	466	930	1,112	273	1,067	1,607
	360,775	358,183	287,702	249,194	237,701	219,041
	-	-	-	-	-	-
	23,322	21,683	22,521	22,111	23,721	22,003
	44,181	36,936	45,173	52,665	56,845	46,971
	18,056	14,509	11,978	7,757	6,312	9,442
	742,774	722,522	649,717	520,248	609,506	714,067
	-	-	-	-	-	-
	146,664	250,947	220,336	136,189	104,532	132,320
	4,034,160	3,731,801	3,315,995	2,799,495	2,791,901	2,923,815
	13	16	16	17	17	16
	334,519	326,095	295,162	269,582	249,697	243,301
	376,855	385,912	364,118	324,094	391,848	450,997
	162,448	166,792	137,142	91,320	71,894	103,006
	-	4,285	4,285	-	-	-
	7,778	-	-	-	-	-
	4,237,951	5,064,519	4,741,204	4,491,435	3,992,424	3,530,761
	2,501	723	1,233	-	-	-
	47,259	31,689	15,775	-	-	-
	439,049	441,095	258,549	261,069	263,507	250,542
	5,608,373	6,421,126	5,817,484	5,437,517	4,969,387	4,578,623
	9,642,533	10,152,927	9,133,479	8,237,012	7,761,288	7,502,438
	-	-	-	-	-	-
	12,973,424	14,296,331	13,760,657	14,061,837	13,919,131	14,009,945
	1,198,849	1,220,524	1,350,485	1,196,903	824,698	679,440
	194,586	338,365	353,149	225,818	153,043	123,867
	-	392,984	765,533	675,574	548,780	321,725
	10,193	112,336	180,967	126,214	105,928	125,588
	110,257	114,832	126,716	123,232	109,683	98,247
	17,955	15,523	11,925	7,095	6,399	18,436
	714,886	694,039	662,212	613,818	543,171	509,998
	769,716	779,924	723,024	710,889	563,306	445,647
	2,211,886	2,392,459	3,022,612	3,166,428	2,766,526	1,770,573
	$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2013-14	2012-13	2011-12	2010-11
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 472,215	$ 447,232	$ 442,793	$ 454,633
Service Fees	901,839	965,614	901,950	735,820
Education - Tuition, Fees, and Sales	-	-	-	-
Fines and Forfeits	181,098	248,520	187,344	200,432
Rents and Royalties	182,893	133,901	147,946	128,588
Sales of Products	2,141	2,851	1,626	4,974
Unemployment Surcharge	28,635	25,724	19,307	18,611
Other	144,949	127,083	84,828	89,509
Operating Grants and Contributions	6,782,914	5,860,052	5,884,031	6,218,836
Capital Grants and Contributions	728,544	700,548	600,300	659,288
TOTAL PROGRAM REVENUES	9,425,228	8,511,525	8,270,125	8,510,691
EXPENSES:				
General Government	447,359	555,507	224,382	192,579
Business, Community, and Consumer Affairs	641,182	584,300	600,068	667,929
Education	5,472,563	5,187,481	5,205,123	5,432,143
Health and Rehabilitation	720,997	697,795	703,684	696,539
Justice	1,840,989	1,655,057	1,555,294	1,538,363
Natural Resources	92,383	77,934	93,900	149,878
Social Assistance	8,089,560	7,174,711	6,746,574	6,397,426
Transportation	1,872,441	1,769,013	1,777,488	1,974,009
Payments to School Districts	-	-	-	-
Payments to Other Governments	-	-	-	-
Interest on Debt	53,094	16,284	40,935	32,487
TOTAL EXPENSES	19,230,568	17,718,082	16,947,448	17,081,353
NET (EXPENSE) REVENUE	(9,805,340)	(9,206,557)	(8,677,323)	(8,570,662)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,754,977	2,498,006	2,333,644	2,280,693
Excise Taxes	236,761	240,895	244,624	236,945
Individual Income Tax	5,285,634	5,154,624	4,653,105	4,151,119
Corporate Income Tax	600,002	606,883	434,885	441,778
Other Taxes	617,612	453,305	519,870	466,408
Restricted Taxes	1,052,692	1,039,105	965,784	928,260
Unrestricted Investment Earnings (Losses)	17,312	16,842	15,015	6,523
Other General Revenues	112,958	97,402	96,213	91,608
Special and/or Extraordinary Items (See Note 35)	-	-	-	-
(Transfers-Out) / Transfers-In	(172,442)	(128,535)	(135,407)	(110,266)
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	397	741	595	460
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	10,505,903	9,979,268	9,128,328	8,493,528
TOTAL CHANGES IN NET POSITION	700,563	772,711	451,005	(77,134)
NET POSITION - BEGINNING	14,958,731	14,179,064	13,393,108	13,455,272
Prior Period Adjustment	1,718	6,956	334,951	14,970
Accounting Changes	(11,297)	-	-	-
NET POSITION - ENDING	$ 15,649,715	$ 14,958,731	$ 14,179,064	$ 13,393,108

[1] – In Fiscal Year 2005-06, the State began to report Payments to School Districts and Other Governments in the functional area that made the payment.

GOVERNMENTAL ACTIVITIES

2009-10	2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05
$ 419,866	$ 386,311	$ 374,521	$ 352,819	$ 339,779	$ 357,241
589,795	184,327	132,822	129,980	123,392	128,101
-	53	-	-	-	-
218,892	203,259	155,692	126,612	121,859	117,666
79,518	85,811	78,889	68,270	68,920	61,524
3,854	5,040	4,592	3,703	3,100	2,841
19,329	19,369	21,512	22,346	22,399	21,524
67,460	61,168	57,622	64,964	79,810	54,254
5,885,657	5,065,429	4,222,670	4,122,360	3,909,382	3,684,878
607,383	485,711	439,693	414,602	447,283	409,458
7,891,754	6,496,478	5,488,013	5,305,656	5,115,924	4,837,487
189,865	308,410	217,939	163,412	164,276	141,320
662,854	705,037	667,381	565,769	449,411	367,553
5,096,032	5,208,705	5,017,551	4,771,218	4,394,236	194,723
659,187	644,699	603,296	560,153	524,736	475,668
1,527,857	1,543,310	1,436,009	1,313,767	1,197,334	1,026,282
144,445	137,159	131,658	138,457	112,753	62,638
6,091,958	5,220,295	4,660,287	4,496,696	4,348,466	3,016,668
2,105,688	1,376,215	1,459,295	1,213,138	1,205,556	919,388
-	-	-	-	-	[1] 3,283,590
-	-	-	-	-	[1] 1,848,922
33,203	20,393	37,567	42,269	31,969	26,925
16,511,089	15,164,223	14,230,983	13,264,879	12,428,737	11,363,677
(8,619,335)	(8,667,745)	(8,742,970)	(7,959,223)	(7,312,813)	(6,526,190)
1,987,576	2,093,113	2,357,807	2,244,000	2,148,981	1,980,785
244,344	251,209	257,908	261,711	266,747	182,726
3,770,597	4,024,105	4,591,481	4,508,845	4,044,581	3,450,493
360,852	322,683	461,390	470,853	422,656	291,583
376,388	655,478	510,442	484,408	568,184	491,214
873,287	880,625	986,274	946,757	922,872	868,251
10,215	22,591	42,478	43,638	35,372	29,736
112,138	119,748	113,603	84,328	84,335	95,912
-	(5,616)	(6,843)	(25,915)	(13,534)	(1,112)
(94,993)	(114,685)	(77,732)	(98,926)	(80,894)	[2] (545,175)
-	-	-	-	-	(431)
357	-	-	-	-	-
7,640,761	8,249,251	9,236,808	8,919,699	8,399,300	6,843,982
(978,574)	(418,494)	493,838	960,476	1,086,487	317,792
15,477,205	15,830,190	16,036,990	15,083,865	14,126,295	13,807,166
(594,624)	(118,647)	(393,912)	(7,351)	(128,917)	1,337
(448,735)	184,156	(306,726)	-	-	-
$ 13,455,272	$ 15,477,205	$ 15,830,190	$ 16,036,990	$ 15,083,865	$ 14,126,295

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2013-14	2012-13	2011-12	2010-11
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 141,770	$ 133,315	$ 131,496	$ 120,910
Service Fees	1,068,966	958,451	865,326	874,990
Education - Tuition, Fees, and Sales	2,672,136	2,512,026	2,406,696	2,243,375
Fines and Forfeits	15,470	12,860	9,561	1,945
Rents and Royalties	39,675	47,881	65,236	29,507
Sales of Products	607,744	636,115	624,407	592,794
Unemployment Surcharge	736,985	725,854	828,530	791,317
Other	154,424	159,162	152,448	153,321
Operating Grants and Contributions	2,569,038	2,730,519	3,165,718	3,689,492
Capital Grants and Contributions	56,899	96,655	132,067	25,432
TOTAL PROGRAM REVENUES	8,063,107	8,012,838	8,381,485	8,523,083
EXPENSES:				
Higher Education	5,618,507	5,258,665	5,068,481	4,755,385
Unemployment Insurance	756,484	1,055,148	1,571,321	2,141,728
CollegeInvest[3]	-	-	-	-
Lottery	477,434	501,010	495,847	470,480
Wildlife[4]	170,898	177,497	160,933	108,425
College Assist	341,684	407,229	403,023	402,648
Other Business-Type Activities	209,871	187,265	196,542	191,123
TOTAL EXPENSES	7,574,878	7,586,814	7,896,147	8,069,789
NET (EXPENSE) REVENUE	488,229	426,024	485,338	453,294
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Other Taxes	-	-	-	-
Special and/or Extraordinary Items (See Note 35)	(22,186)	-	-	1,493
(Transfers-Out) / Transfers-In	172,442	128,535	135,407	110,266
Internal Capital Contributions	-	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	150,256	128,535	135,407	111,759
TOTAL CHANGES IN NET POSITION	638,485	554,559	620,745	565,053
NET POSITION - BEGINNING	6,688,706	6,139,998	5,264,683	4,746,480
Prior Period Adjustment	(6,922)	(5,851)	254,570	(46,850)
Accounting Changes	(30,471)	-	-	-
NET POSITION - ENDING	$ 7,289,798	$ 6,688,706	$ 6,139,998	$ 5,264,683

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

[2] – In Fiscal Year 2005-06, the State segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities line.

BUSINESS-TYPE ACTIVITIES

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 106,946	$ 119,611	$ 84,395	$ 84,302	$ 75,388	$ 64,864
607,485	681,807	667,504	575,555	536,261 [1]	273,541
1,999,358	1,957,505	1,867,806	1,734,996	1,622,045 [1]	1,294,488
2,836	1,118	999	1,174	729	596
24,648	29,908	32,399	26,271	28,765	21,527
590,758	560,364	579,935	520,838	522,715	467,088
491,716	363,241	398,046	403,641	504,039	462,416
167,930	173,354	165,804	140,376	162,045	120,145
3,957,310	2,214,186	1,728,669	1,685,417	1,466,045	1,403,928
24,619	20,220	9,426	22,263	16,856	16,667
7,973,606	6,121,314	5,534,983	5,194,833	4,934,888	4,125,260
4,451,541	4,153,282	3,865,244	3,661,270	3,446,716	3,294,154
2,496,188	1,138,621	354,967	316,577	305,447	352,712
68,650	78,647	116,286	96,720	73,745	54,453
456,352	435,156	447,101	401,969	402,391	367,474
105,037	112,369	109,800	96,515	91,221 [2]	
410,027	399,576	326,080	199,677	115,200 [2]	-
170,410	171,635	173,928	163,727	138,773	267,408
8,158,205	6,489,286	5,393,406	4,936,455	4,573,493	4,336,201
(184,599)	(367,972)	141,577	258,378	361,395	(210,941)
-	-	36,963	39,446	34,728	-
(79,575)	-	-	-	(707)	-
94,993	114,685	77,732	98,926	80,894 [1]	545,175
-	-	-	-	-	10,303
15,418	114,685	114,695	138,372	114,915	555,478
(169,181)	(253,287)	256,272	396,750	476,310	344,537
4,880,112	5,127,090	4,870,818	4,456,800	3,977,171	3,616,740
35,549	6,309	-	17,267	3,319	15,894
-	-	-	-	-	-
$ 4,746,480	$ 4,880,112	$ 5,127,090	$ 4,870,817	$ 4,456,800	$ 3,977,171

[3] – Due to the disposition of the CollegeInvest loan portfolio and related variable debt, CollegeInvest was removed as a major fund in Fiscal Year 2010-11 and is subsequently reported as part of the Other Business-Type Activities.

[4]– Parks and Wildlife after Fiscal Year 2010-11.

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET POSITION
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2013-14	2012-13	2011-12	2010-11
PROGRAM REVENUES:				
Charges for Services:				
Licenses and Permits	$ 613,985	$ 580,547	$ 574,289	$ 575,543
Service Fees	1,970,805	1,924,065	1,767,276	1,610,810
Education - Tuition, Fees, and Sales	2,672,136	2,512,026	2,406,696	2,243,375
Fines and Forfeits	196,568	261,380	196,905	202,377
Rents and Royalties	222,568	181,782	213,182	158,095
Sales of Products	609,885	638,966	626,033	597,768
Unemployment Surcharge	765,620	751,578	847,837	809,928
Other	299,373	286,245	237,276	242,830
Operating Grants and Contributions	9,351,952	8,590,571	9,049,749	9,908,328
Capital Grants and Contributions	785,443	797,203	732,367	684,720
TOTAL PROGRAM REVENUES	17,488,335	16,524,363	16,651,610	17,033,774
EXPENSES:				
General Government	447,359	555,507	224,382	192,579
Business, Community, and Consumer Affairs	641,182	584,300	600,068	667,929
Education	5,472,563	5,187,481	5,205,123	5,432,143
Health and Rehabilitation	720,997	697,795	703,684	696,539
Justice	1,840,989	1,655,057	1,555,294	1,538,363
Natural Resources	92,383	77,934	93,900	149,878
Social Assistance	8,089,560	7,174,711	6,746,574	6,397,426
Transportation	1,872,441	1,769,013	1,777,488	1,974,009
Payments to School Districts				
Payments to Other Governments				
Interest on Debt	53,094	16,284	40,935	32,487
Higher Education	5,618,507	5,258,665	5,068,481	4,755,385
Unemployment Insurance	756,484	1,055,148	1,571,321	2,141,728
CollegeInvest[3]	-	-	-	-
Lottery	477,434	501,010	495,847	470,480
Wildlife	170,898	177,497	160,933	108,425
College Assist	341,684	407,229	403,023	402,648
Other Business-Type Activities	209,871	187,265	196,542	191,123
TOTAL EXPENSES	26,805,446	25,304,896	24,843,595	25,151,142
NET (EXPENSE) REVENUE	(9,317,111)	(8,780,533)	(8,191,985)	(8,117,368)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:				
Sales and Use Taxes	2,754,977	2,498,006	2,333,644	2,280,693
Excise Taxes	236,761	240,895	244,624	236,945
Individual Income Tax	5,285,634	5,154,624	4,653,105	4,151,119
Corporate Income Tax	600,002	606,883	434,885	441,778
Other Taxes	617,612	453,305	519,870	466,408
Restricted Taxes	1,052,692	1,039,105	965,784	928,260
Unrestricted Investment Earnings (Losses)	17,312	16,842	15,015	6,523
Other General Revenues	112,958	97,402	96,213	91,608
Special and/or Extraordinary Items (See Note 35)	(22,186)	-	-	1,493
(Transfers-Out) / Transfers-In	-	-	-	-
Internal Capital Contributions	-	-	-	-
Permanent Fund Additions	397	741	595	460
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:	10,656,159	10,107,803	9,263,735	8,605,287
TOTAL CHANGES IN NET POSITION	1,339,048	1,327,270	1,071,750	487,919
NET POSITION - BEGINNING	21,647,437	20,319,062	18,657,791	18,201,752
Prior Period Adjustment	(5,204)	1,105	589,521	(31,880)
Accounting Changes	(41,768)	-	-	-
NET POSITION - ENDING	$ 22,939,513	$ 21,647,437	$ 20,319,062	$ 18,657,791

TOTAL PRIMARY GOVERNMENT

2009-10	2008-09	RESTATED 2007-08	2006-07	2005-06	2004-05
$ 526,812	$ 505,922	$ 458,916	$ 437,121	$ 415,167	$ 422,105
1,197,280	866,134	800,326	705,535	659,653	401,642
1,999,358	1,957,558	1,867,806	1,734,997	1,622,045	1,294,488
221,728	204,377	156,691	127,786	122,588	118,262
104,166	115,719	111,288	94,541	97,685	83,051
594,612	565,404	584,527	524,541	525,815	469,929
511,045	382,610	419,558	425,987	526,438	483,940
235,390	234,522	223,426	205,340	241,855	174,399
9,842,967	7,279,615	5,951,339	5,807,777	5,375,427	5,088,806
632,002	505,931	449,119	436,865	464,139	426,125
15,865,360	12,617,792	11,022,996	10,500,490	10,050,812	8,962,747
189,865	308,410	217,939	163,412	164,276	141,320
662,854	705,037	667,381	565,769	449,411	367,553
5,096,032	5,208,705	5,017,551	4,771,218	4,394,236	194,723
659,187	644,699	603,296	560,153	524,736	475,668
1,527,857	1,543,310	1,436,009	1,313,767	1,197,334	1,026,282
144,445	137,159	131,658	138,457	112,753	62,638
6,091,958	5,220,295	4,660,287	4,496,696	4,348,466	3,016,668
2,105,688	1,376,215	1,459,295	1,213,138	1,205,556	919,388
					3,283,590
					1,848,922
33,203	20,393	37,567	42,269	31,969	26,925
4,451,541	4,153,282	3,865,244	3,661,270	3,446,716	3,294,154
2,496,188	1,138,621	354,967	316,577	305,447	352,712
68,650	78,647	116,286	96,720	73,745	54,453
456,352	435,156	447,101	401,969	402,391	367,474
105,037	112,369	109,800	96,515	91,221	
410,027	399,576	326,080	199,677	115,200	
170,410	171,635	173,928	163,727	138,773	267,408
24,669,294	21,653,509	19,624,389	18,201,334	17,002,230	15,699,878
(8,803,934)	(9,035,717)	(8,601,393)	(7,700,844)	(6,951,418)	(6,737,131)
1,987,576	2,093,113	2,357,807	2,244,000	2,148,981	1,980,785
244,344	251,209	257,908	261,711	266,747	182,726
3,770,597	4,024,105	4,591,481	4,508,845	4,044,581	3,450,493
360,852	322,683	461,390	470,853	422,656	291,583
376,388	655,478	547,405	523,854	602,912	491,214
873,287	880,625	986,274	946,757	922,872	868,251
10,215	22,591	42,478	43,638	35,372	29,736
112,138	119,748	113,603	84,328	84,335	95,912
(79,575)	(5,616)	(6,843)	(25,915)	(14,241)	(1,112)
-	-	-	-	-	-
-	-	-	-	-	9,872
357	-	-	-	-	-
7,656,179	8,363,936	9,351,503	9,058,071	8,514,215	7,399,460
(1,147,755)	(671,781)	750,110	1,357,227	1,562,797	662,329
20,357,317	20,957,280	20,907,808	19,540,665	18,103,466	17,423,906
(559,075)	(112,338)	(393,912)	9,916	(125,598)	17,231
(448,735)	184,156	(306,726)	-	-	-
$ 18,201,752	$ 20,357,317	$ 20,957,280	$ 20,907,808	$ 19,540,665	$ 18,103,466

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)	2013-14	2012-13	RESTATED 2011-12	RESTATED 2010-11[3]
REVENUES:				
Taxes	$ 10,596	$ 10,018	$ 9,182	$ 8,430
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	758	789	724	745
Charges for Goods and Services	905	970	892	730
Rents (reported in 'Other' prior to FY05)	183	134	148	129
Investment Income	115	19	120	97
Federal Grants and Contracts	7,183	6,428	6,223	6,917
Unclaimed Property Receipts	53	37	43	40
Other	365	263	254	221
TOTAL REVENUES	20,158	18,658	17,586	17,309
EXPENDITURES:				
Current:				
General Government	331	325	359	560
Business, Community and Consumer Affairs	395	375	363	388
Education	730	674	661	778
Health and Rehabilitation	658	641	626	592
Justice	1,605	1,422	1,322	1,314
Natural Resources	107	99	90	132
Social Assistance	7,416	6,488	6,065	5,655
Transportation	1,203	1,065	982	1,064
Capital Outlay	298	299	459	329
Intergovernmental:				
Cities	412	297	287	300
Counties	1,573	1,504	1,371	1,478
School Districts	4,475	4,235	4,199	4,303
Other	202	323	177	185
Deferred Compensation Distributions	-	-	-	-
Debt Service[1]	261	247	236	208
TOTAL EXPENDITURES	19,666	17,994	17,197	17,286
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	492	664	389	23
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,405	5,750	4,622	4,776
Transfers-Out:				
Higher Education	(143)	(135)	(133)	(135)
Other	(5,390)	(5,728)	(4,612)	(4,731)
Face Amount of Debt Issued	97	196	156	218
Bond Premium/Discount	6	9	13	-
Capital Lease Debt Issuance	25	1	17	17
Sale of Capital Assets	27	31	14	-
Insurance Recoveries	2	1	6	2
Debt Refunding Issuance	112	31	126	-
Debt Refunding Premium Proceeds	-	-	19	
Debt Refunding Payments	-	(31)	(144)	-
TOTAL OTHER FINANCING SOURCES (USES)	141	125	84	147
NET CHANGE IN FUND BALANCE	633	789	473	170
FUND BALANCE - BEGINNING	6,100	5,293	4,842	4,085
Prior Period Adjustments	-	18	(22)	(4)
Accounting Changes	1	-	-	591
FUND BALANCE - ENDING	$ 6,734	$ 6,100	$ 5,293	$ 4,842

[1] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures on page 260.

[2] – In Fiscal Years 2008-09 and 2009-10, Unclaimed Property activity was partially converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

[3] – Beginning in Fiscal Year 2010-11 the Supplemental Nutrition Assistance Program (SNAP) expenditures are reported in the Social Assistance line. In previous years it was reported as Intergovernmental payments in the Counties line.

RESTATED 2009-10	2008-09[2]	2007-08	2006-07	2005-06	2004-05
$ 7,640	$ 8,231	$ 9,203	$ 8,936	$ 8,396	$ 7,323
-	-	-	-	-	(41)
734	701	643	575	541	565
552	150	104	99	99	99
80	86	79	68	69	62
199	258	316	272	117	126
7,023	5,480	4,308	4,073	4,054	3,831
42	58	-	-	-	-
192	195	179	320	341	321
16,462	15,159	14,832	14,343	13,617	12,286
775	511	123	251	256	278
369	332	311	303	274	277
855	879	802	713	673	129
583	608	561	530	486	443
1,315	1,285	1,195	1,088	998	978
126	121	112	107	97	90
4,454	3,836	3,669	3,400	3,263	3,026
1,017	1,074	1,055	950	962	983
240	308	243	124	82	92
281	294	289	239	251	218
2,253	2,043	1,799	1,721	1,616	1,474
4,364	4,143	3,814	3,719	3,455	3,284
219	185	258	242	197	157
-	-	-	-	-	-
194	189	208	213	204	114
17,045	15,808	14,439	13,600	12,814	11,543
(583)	(649)	393	743	803	743
5,333	5,179	4,298	4,202	3,645	3,198
(125)	(135)	(131)	(120)	(128)	(597)
(5,264)	(5,148)	(4,237)	(4,137)	(3,580)	(3,136)
559	-	-	-	-	-
8	-	-	-	-	-
-	11	18	4	132	27
-	-	1	-	4	10
4	2	2	1	1	-
-	-	-	-	-	-
-	-	-	-	-	-
515	(91)	(49)	(50)	74	(498)
(68)	(740)	344	693	877	245
4,785	5,312	5,012	4,319	3,441	3,196
(41)	(1)	(44)	-	1	-
-	214	-	-	-	-
$ 4,676	$ 4,785	$ 5,312	$ 5,012	$ 4,319	$ 3,441

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

(DOLLARS IN MILLIONS)

	2013-14	2012-13	2011-12	2010-11
Income Tax:				
Individual	$ 5,273	$ 5,149	$ 4,633	$ 4,154
Corporate	665	597	457	366
Net Income Tax	5,938	5,746	5,090	4,520
Sales, Use, and Excise Taxes	2,763	2,549	2,387	2,323
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	2,763	2,549	2,387	2,323
Estate Taxes	-	-	-	-
Insurance Tax	239	210	197	190
Gaming and Other Taxes	12	12	20	20
Investment Income	15	17	14	8
Medicaid Provider Revenues	-	-	-	-
Other	25	21	26	25
TOTAL GENERAL REVENUES	$ 8,992	$ 8,555	$ 7,734	$ 7,086
Percent Change From Previous Year	5.1%	10.6%	9.1%	9.8%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	66.0%	67.2%	65.8%	63.8%
Sales, Use, and Excise Taxes	30.7	29.8	30.9	32.7
Estate Taxes	0.0	0.0	0.0	0.0
Insurance Tax	2.7	2.5	2.5	2.7
Other Taxes	0.1	0.1	0.3	0.3
Interest	0.2	0.2	0.2	0.1
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.3	0.2	0.3	0.4
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 3,777	$ 4,021	$ 4,600	$ 4,510	$ 4,044	$ 3,421
350	265	474	464	422	293
4,127	4,286	5,074	4,974	4,466	3,714
2,072	1,982	2,173	2,076	1,995	2,146
-	-	-	-	-	(41)
2,072	1,982	2,173	2,076	1,995	2,105
-	-	-	1	7	26
187	192	188	179	175	189
16	-	-	7	18	40
10	9	18	28	33	28
-	-	-	-	-	-
44	56	52	48	52	59
$ 6,456	$ 6,525	$ 7,505	$ 7,313	$ 6,746	$ 6,161
-1.1%	-13.1%	2.6%	8.4%	9.5%	6.8%
63.9%	65.7%	67.6%	68.0%	66.2%	60.3%
32.1	30.4	29.0	28.4	29.5	34.1
0.0	0.0	0.0	0.0	0.1	0.4
2.9	2.9	2.5	2.4	2.6	3.1
0.2	0.0	0.0	0.1	0.3	0.6
0.2	0.1	0.2	0.4	0.5	0.5
0.0	0.0	0.0	0.0	0.0	0.0
0.7	0.9	0.7	0.7	0.8	1.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	RESTATED 2010-11
Department:[1]				
Agriculture	$ 7,697	$ 6,975	$ 5,152	$ 4,658
Corrections	675,706	652,394	647,313	657,559
Education	3,153,609	3,014,681	2,833,433	2,962,954
Governor	22,819	18,555	9,699	11,600
Health Care Policy and Financing	2,100,771	1,829,776	1,685,679	1,267,889
Higher Education	658,901	628,565	623,963	705,085
Human Services	812,603	753,225	703,676	710,966
Judicial Branch	386,870	354,119	337,039	325,173
Labor and Employment	50	-	-	-
Law	12,127	10,355	9,341	9,313
Legislative Branch	38,712	35,957	34,672	31,736
Local Affairs	17,540	10,976	10,448	10,579
Military and Veterans Affairs	7,094	6,576	5,355	4,969
Natural Resources	25,141	23,620	23,400	26,233
Personnel & Administration	31,407	6,588	3,935	4,823
Public Health and Environment	53,588	31,199	27,742	27,165
Public Safety	165,240	85,595	81,993	80,239
Regulatory Agencies	1,730	1,674	1,597	1,529
Revenue	73,626	55,078	55,596	52,540
Treasury	108,870	27,650	4,914	4,140
Transfer to Capital Construction Fund	186,715	61,411	49,298	11,985
Transfer to Various Cash Funds	260,272	1,086,051	72,000	296,872
Transfer to the Highway Users Tax Fund	-	-	-	-
Other Transfers and Nonoperating Disbursements	126,263	262,406	25,479	19,422
TOTALS	$ 8,927,351	$ 8,963,426	$ 7,251,724	$ 7,227,429
Percent Change	-0.4%	23.6%	0.3%	3.0%
(AS PERCENT OF TOTAL)				
Education	35.3%	33.6%	39.1%	41.0%
Health Care Policy and Financing	23.5	20.4	23.2	17.5
Higher Education	7.4	7.0	8.6	9.8
Human Services	9.1	8.4	9.7	9.8
Corrections	7.6	7.3	8.9	9.1
Transfer to Capital Construction Fund	2.1	0.7	0.7	0.2
Transfer to Various Cash Funds	2.9	12.1	1.0	4.1
Transfers to the Highway Users Tax Fund	0.0	0.0	0.0	0.0
Judicial	4.3	4.0	4.6	4.5
Revenue	0.8	0.6	0.8	0.7
All Others	7.0	5.9	3.4	3.3
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 5,915	$ 6,809	$ 7,124	$ 5,197	$ 4,038	$ 4,107
563,570	637,292	626,246	577,482	534,233	495,234
3,238,879	3,214,951	3,023,255	2,882,876	2,718,667	2,514,427
13,781	13,342	17,346	11,991	15,862	15,808
1,152,245	1,311,702	1,482,803	1,369,321	1,362,893	1,247,254
428,784	661,974	747,717	693,999	636,341	587,958
751,149	776,394	749,974	718,366	590,071	568,461
323,146	328,056	300,674	265,161	237,673	219,612
-	-	-	108	-	-
9,133	8,705	8,474	8,975	7,143	6,738
32,504	34,944	31,139	29,880	27,633	26,745
10,854	12,276	10,895	9,973	8,500	8,573
5,263	5,637	5,407	5,050	4,324	3,883
25,515	30,558	30,086	28,550	22,806	22,481
5,139	5,337	10,934	9,385	8,181	7,805
26,548	26,634	23,596	23,081	20,586	13,061
79,459	78,874	72,806	67,169	58,785	56,315
1,429	1,451	1,400	1,273	1,390	1,047
54,187	67,092	73,593	65,398	57,928	57,702
7,784	10,643	13,902	12,403	18,443	15,027
169	39,396	183,443	291,467	104,841	40,759
8,000	10,281	327	3,748	67,100	185,628
-	28,965	166,182	291,179	65,345	81,212
20,555	102,966	137,747	130,598	49,190	20,264
$ 6,764,008	$ 7,414,279	$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101
-8.8%	-4.0%	3.0%	13.3%	6.8%	10.3%
47.9%	43.4%	39.1%	38.4%	41.1%	40.6%
17.0	17.7	19.2	18.3	20.6	20.1
6.3	8.9	9.7	9.3	9.6	9.5
11.1	10.5	9.7	9.6	8.9	9.2
8.3	8.6	8.1	7.7	8.1	8.0
0.0	0.5	2.4	3.9	1.6	0.7
0.1	0.1	0.0	0.0	1.0	3.0
0.0	0.4	2.2	3.9	1.0	-
4.8	4.4	3.9	3.5	3.6	3.5
0.8	0.9	1.0	0.9	0.9	0.9
3.7	4.6	4.7	4.5	3.6	4.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	2010-11[2]
GENERAL PURPOSE:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Statutory Purposes	-	-	-	-
Risk Management	-	-	-	-
Unreserved Undesignated:				
General Fund	-	-	-	-
Unreserved:				
General Fund	-	-	-	-
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	8,721	9,931	6,942	8,742
Permanent Fund Principal	-	-	-	-
Prepaids	38,535	22,654	24,175	33,009
Restricted	468,758	487,161	503,449	542,997
Committed	411,362	279,352	331,419	39,458
Assigned	7,651	7	20	109
Unassigned	-	-	359,421	(21,468)
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	935,027	799,105	1,225,426	602,847
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved for:				
Encumbrances	$ -	$ -	$ -	$ -
Noncurrent Assets	-	-	-	-
Debt Service	-	-	-	-
Statutory Purposes	-	-	-	-
Emergencies	-	-	-	-
Funds Reported as Restricted	-	-	-	-
Unreserved, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Nonmajor Special Revenue Funds	-	-	-	-
Nonmajor Permanent Funds	-	-	-	-
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Major Funds	-	-	-	-
Reported in Nonmajor Special Revenue Funds	-	-	-	-
Reported in Nonmajor Debt Service Funds	-	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-	-
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	-	-	-	-
Inventories	43,681	44,262	8,690	9,839
Permanent Fund Principal	868,383	760,160	737,239	658,883
Prepaids	29,365	32,697	28,665	21,540
Restricted	2,546,717	2,783,009	1,673,490	1,988,088
Committed	2,310,902	1,680,986	1,619,397	1,560,775
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	5,799,048	5,301,114	4,067,481	4,239,125
TOTAL RESERVED	-	-	-	-
TOTAL UNRESERVED	-	-	-	-
TOTAL FUND BALANCE	$ 6,734,075	$ 6,100,219	$ 5,292,907	$ 4,841,972

[1] – This amount results from a $458.1 million year-end transfer into the General Fund from various cash funds to prevent a deficit fund balance

[2] – The implementation of Governmental Accounting Standards Board Statement No. 54 in Fiscal Year 2010-11 resulted in a significant change in the State's fund balance classifications.

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 5,721	$ 2,195	$ 16,487	$ 11,912	$ 12,233	$ 3,497
-	1	7	13	91	192
-	148,212	151,721	267,020	251,704	198,751
23,031	18,650	35,559	38,593	32,851	36,473
(30,822)	155,436 [1]	-	95,779	295,882	-
17,854	10,939	3,639	-	-	-
-	-	-	-	-	-
28,752	169,058	203,774	317,538	296,879	238,913
(12,968)	166,375	3,639	95,779	295,882	-
15,784	335,433	207,413	413,317	592,761	238,913
$ 1,052,572	$ 1,043,396	$ 966,477	$ 821,112	$ 814,811	$ 629,430
584,828	515,062	425,830	385,248	342,341	292,336
4,093	558	558	558	580	3,298
325,463	40,921	109,322	130,000	137,530	10,263
94,000	93,550	93,000	85,760	79,800	71,000
1,151,448	1,445,739	1,902,755	1,669,326	1,233,272	1,104,061
57,148	53,498	54,676	72,870	872,212	812,706
(35,611)	54,687	134,470	199,126	(47,740)	(12,545)
1,302,178	1,117,248	1,391,483	1,233,276	291,488	274,941
10,586	8,500	2,326	1,782	1,642	1,954
34,487	30,327	13,385	-	-	4,484
40,778	23,719	8,751	-	-	347
-	-	-	-	-	-
38,541	22,875	1,571	-	-	9,926
-	-	-	-	-	-
3,212,404	3,179,226	3,497,942	3,092,004	2,608,334	2,110,388
1,448,107	1,310,454	1,606,662	1,507,014	1,117,602	1,091,813
4,660,511	4,449,680	5,104,604	4,599,018	3,725,936	3,202,201
3,241,156	3,308,284	3,701,716	3,409,542	2,905,213	2,349,301
1,435,139	1,476,829	1,610,301	1,602,873	1,413,484	1,091,813
$ 4,676,295	$ 4,785,113	$ 5,312,017	$ 5,012,335	$ 4,318,697	$ 3,441,114

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2013-14	Restated 2012-13	2011-12	2010-11
DISTRICT REVENUES:				
Exempt District Revenues	$ 17,070,905	$ 16,446,833	$ 15,017,772	$ 15,532,632
Nonexempt District Revenues	11,691,905	11,107,341	10,273,184	9,424,764
TOTAL DISTRICT REVENUES	28,762,810	27,554,174	25,290,956	24,957,396
Percent Change In Nonexempt District Revenues	5.3%	8.1%	9.0%	10.0%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	17,393,886	16,162,555	15,017,772	15,532,632
Nonexempt District Expenditures	10,693,607	10,548,250	9,791,616	9,330,892
TOTAL DISTRICT EXPENDITURES	28,087,493	26,710,805	24,809,388	24,863,524
Percent Change In Nonexempt District Expenditures	1.4%	7.7%	4.9%	8.0%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 675,317	$ 843,369	$ 481,568	$ 93,872
FISCAL YEAR SPENDING LIMIT				
Prior Fiscal Year Spending Limitation	$ 9,247,466	$ 8,799,754	$ 8,654,192	$ 8,567,941
Adjustments To Prior Year Limit[2]	(152)	(27,953)	(26,982)	(16,368)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	9,247,314	8,771,802	8,627,210	8,551,573
Allowable Growth Rate (Population Plus Inflation)	3.3%	5.4%	2.0%	1.2%
Current Fiscal Year Spending Limitation	9,552,475	9,245,479	8,799,754	8,654,192
Adjustments To Current Year Limit	14,111	1,987	-	-
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,566,586	9,247,466	8,799,754	8,654,192
EXCESS STATE REVENUE CAP (ESRC)[3]	11,852,383	11,460,242	10,871,425	10,684,856
NONEXEMPT DISTRICT REVENUES	11,691,905	11,107,341	10,273,184	9,424,764
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	2,125,319	1,859,875	1,473,430	770,572
Amount Over(Under) Excess State Revenue Cap	(160,478)	(352,901)	(598,242)	(1,260,092)
Correction Of Prior Years' Refunds	-	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	-	-	-
FISCAL YEAR REFUND	$ -	$ -	$ -	$ -

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the State's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

[2] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activity's revenues and expenditures are no longer shown in the district amounts.

[3] – Beginning in Fiscal Year 2010-11, with the expiration of the Referendum C retention period, Fiscal Year Refunds are based on the Excess State Revenue Cap rather than the Fiscal Year Spending Limit.

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 16,056,039	$ 14,496,192	$ 12,126,729	$ 11,759,914	$ 10,899,936	$ 11,015,958
8,567,941	9,102,354	9,998,559	9,641,867	9,161,391	8,482,963
24,623,980	23,598,546	22,125,288	21,401,781	20,061,327	19,498,921
-5.9%	2011-12	3.7%	5.2%	8.0%	1.8%
16,056,039	14,496,192	12,126,729	11,759,914	10,899,936	11,015,958
8,638,571	10,168,409	9,533,890	8,847,334	8,029,686	9,473,642
24,694,610	24,664,601	21,660,619	20,607,248	18,929,622	20,489,600
-15.0%	6.7%	7.8%	10.2%	-15.2%	21.5%
$ (70,630)	$ (1,066,055)	$ 464,670	$ 794,533	$ 1,131,705	$ (990,679)
$ 9,102,354	$ 8,829,131	$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991
(422,016)	(10,365)	(1,054)	(173)	(372,471)	(383,103)
8,680,338	8,818,766	8,332,773	8,045,083	7,941,903	7,948,888
5.8%	4.1%	5.5%	3.5%	1.3%	2.2%
9,183,797	9,180,336	8,791,075	8,326,662	8,045,148	8,123,764
-	23,505	38,056	7,165	109	190,610
9,183,797	9,203,841	8,829,131	8,333,827	8,045,257	8,314,374
8,567,941	9,102,354	9,998,559	9,641,867	9,161,391	8,482,963
(615,856)	(101,488)	1,169,428	1,308,040	1,116,134	168,589
-	-	-	-	-	284
-	-	1,169,428	1,308,040	1,116,134	127,810
$ -	$ -	$ -	$ -	$ -	$ 41,063

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
2002 to 2011

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

	2011		2010		2009[2]		2008	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	29,544	0.0%	30,444	0.0%	33,536	0.0%	23,480	0.0%
$0 to $5,000	75,051	0.0%	75,736	0.0%	82,340	0.0%	76,617	0.0%
$5,001 to $10,000	110,088	0.0%	115,075	0.0%	119,531	0.0%	112,812	0.0%
$10,001 to $15,000	136,559	0.2%	140,054	0.2%	139,504	0.3%	130,686	0.3%
$15,001 to $20,000	144,355	0.6%	144,469	0.6%	143,006	0.7%	139,486	0.8%
$20,001 to $25,000	138,462	1.1%	141,184	1.1%	139,626	1.2%	135,930	1.3%
$25,001 to $35,000	247,916	3.3%	248,319	3.3%	245,832	3.7%	248,979	4.1%
$35,001 to $50,000	281,297	6.5%	278,127	6.5%	278,767	7.2%	285,209	7.8%
$50,001 to $75,000	314,902	12.0%	311,671	12.0%	311,321	13.3%	318,161	14.0%
$75,001 to $100,000	209,322	12.2%	204,879	12.2%	199,941	13.3%	202,834	13.9%
$100,000 and Over	382,180	63.7%	354,393	63.7%	319,821	60.0%	317,476	57.8%
TOTAL	2,069,676	100%	2,044,351	100%	2,013,225	100%	1,991,670	100.0%

Source: Colorado Department of Revenue

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

2 – Distribution analysis is done after the end of the late filing period and this is the most current data available from the Department of Revenue.

SALES TAX RETURNS
BY INDUSTRY CLASS
2004 to 2013

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

	2013		2012		2011		2010	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS								
Agriculture, Forestry, & Fisheries	6,290	0.1%	6,112	0.1%	4,995	0.1%	3,787	0.1%
Mining	13,580	2.2%	13,670	2.0%	9,775	1.7%	5,543	1.4%
Public Utilities	17,096	3.1%	17,899	3.9%	14,073	3.9%	10,177	3.6%
Construction Trades	56,156	1.4%	56,937	1.2%	45,046	1.2%	33,065	1.1%
Manufacturing	196,833	5.1%	192,407	4.9%	152,038	4.7%	96,062	4.2%
Wholesale Trade	150,624	5.8%	148,072	5.6%	112,066	5.8%	72,331	5.7%
Retail Trade	682,237	51.7%	684,797	51.5%	542,876	51.4%	385,914	51.8%
Transportation & Warehousing	5,986	0.3%	5,876	0.2%	4,616	0.2%	3,831	0.2%
Information Producers/Distributors	326,062	5.2%	320,218	5.4%	264,926	5.6%	167,660	6.3%
Finance & Insurance	78,833	0.7%	76,887	0.8%	59,750	0.8%	35,443	1.4%
Real Estate, Rental, & Leasing Services	152,922	3.3%	151,893	3.2%	123,870	3.3%	84,376	3.4%
Professional, Scientific, & Technical Services	134,195	1.5%	135,037	1.7%	106,421	1.8%	64,231	1.5%
Bus. Admin., Support, Waste/Remediation Services	47,193	0.5%	45,392	0.6%	35,700	0.6%	24,102	0.6%
Educational Services	10,344	0.2%	10,880	0.2%	8,674	0.2%	5,914	0.2%
Health Care & Social Assistance Services	21,545	0.2%	23,416	0.2%	19,084	0.2%	16,018	0.2%
Arts, Entertainment, & Recreation Services	23,024	0.6%	24,063	0.6%	21,477	0.6%	17,230	0.6%
Hotel & Other Accommodation Services	29,733	3.7%	30,484	3.7%	24,183	3.6%	21,282	3.5%
Food & Drinking Services	163,045	12.0%	168,673	11.9%	143,273	11.8%	130,911	11.8%
Other Personal Services	117,712	2.2%	118,080	2.2%	101,431	2.2%	86,316	2.2%
Government Services	2,169	0.1%	2,150	0.1%	2,731	0.2%	6,290	0.2%
TOTAL	2,235,579	100%	2,232,943	100%	1,797,005	100%	1,270,483	100%

Source: Colorado Department of Revenue

2007		2006		2005		2004		2003		2002	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
24,376	0.0%	23,376	0.0%	23,916	0.0%	24,570	0.0%	24,632	0.0%	22,477	0.0%
81,028	0.0%	72,400	0.0%	76,547	0.0%	73,929	0.0%	74,854	0.0%	73,714	0.0%
109,819	0.0%	108,412	0.0%	112,703	0.0%	112,776	0.0%	114,615	0.1%	115,045	0.1%
125,816	0.2%	127,061	0.3%	128,661	0.3%	129,339	0.4%	132,540	0.5%	134,152	0.5%
134,806	0.6%	134,933	0.8%	134,643	0.8%	134,988	1.0%	137,195	1.1%	139,267	1.2%
131,969	0.6%	130,926	1.3%	130,647	1.4%	131,424	1.6%	133,960	1.8%	136,897	1.9%
243,919	3.3%	240,034	3.8%	236,285	4.1%	236,162	4.7%	239,657	5.3%	243,253	5.6%
278,843	6.3%	272,040	7.2%	267,939	7.6%	266,625	8.6%	268,253	9.6%	271,283	9.9%
313,367	11.4%	302,778	12.9%	295,028	13.6%	289,548	15.1%	286,609	16.5%	291,227	17.1%
200,847	11.4%	189,359	12.5%	179,635	13.0%	171,170	14.0%	163,572	14.7%	161,047	14.7%
330,337	65.7%	290,548	61.2%	256,424	59.2%	227,936	54.6%	202,886	50.4%	196,065	49.0%
1,975,127	100.0%	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%

COLORADO TAX RATES[1]
2005 to 2014

Income Tax Rate	Sales Tax Rate
4.63%	2.90%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people.
Tax rates have remained unchanged since 2001, when Sales Tax was reduced from 3.0 percent to 2.9 percent.

2009		2008		2007		2006		2005		2004	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
2011-12	0.1%	3,653	0.1%	3,632	0.1%	3,808	0.1%	3,529	0.1%	3,268	0.1%
5,324	1.9%	4,491	1.9%	4,104	1.7%	3,775	1.4%	3,617	1.0%	2,673	0.8%
9,721	3.5%	9,517	3.9%	8,725	3.0%	7,904	3.1%	7,419	2.8%	6,210	2.6%
31,811	1.3%	31,949	1.5%	30,929	1.5%	32,291	1.6%	30,741	1.6%	29,916	1.4%
88,504	4.7%	84,393	4.8%	87,475	4.9%	85,822	4.8%	75,927	4.4%	73,996	4.1%
72,914	6.6%	72,432	6.7%	74,498	6.7%	78,156	6.8%	78,351	6.6%	77,908	6.0%
385,320	49.5%	395,100	49.9%	399,395	51.5%	409,029	52.2%	392,892	53.5%	388,011	54.4%
3,916	0.3%	4,014	0.3%	4,733	0.3%	5,346	0.4%	5,583	0.3%	4,878	0.3%
171,984	6.3%	174,348	5.9%	170,488	5.8%	163,953	5.8%	149,711	5.9%	144,908	6.3%
35,103	1.4%	33,499	1.5%	34,308	1.2%	37,478	1.0%	35,960	1.0%	33,723	1.0%
82,509	3.7%	79,541	3.8%	71,969	3.8%	72,110	3.7%	71,331	3.6%	70,647	3.7%
64,002	1.6%	65,592	1.6%	66,352	1.8%	71,590	1.8%	74,471	2.0%	89,310	2.4%
24,615	0.7%	23,401	0.7%	23,014	0.7%	23,497	0.6%	21,979	0.7%	20,707	0.6%
6,068	0.2%	6,526	0.2%	5,566	0.2%	5,136	0.2%	4,767	0.2%	4,263	0.2%
15,572	0.2%	13,013	0.2%	12,233	0.2%	12,290	0.2%	11,142	0.2%	10,092	0.2%
17,301	0.6%	17,391	0.6%	17,196	0.6%	16,957	0.6%	14,965	0.6%	13,440	0.6%
21,153	3.6%	21,221	3.6%	20,995	3.5%	20,717	3.3%	20,176	3.1%	19,959	3.1%
129,780	11.4%	129,123	10.5%	125,682	10.2%	121,234	10.0%	116,291	10.0%	110,799	9.9%
86,861	2.3%	86,647	2.2%	85,361	2.1%	85,499	2.1%	83,498	2.2%	79,398	2.1%
5,655	0.1%	6,044	0.1%	7,445	0.2%	10,479	0.3%	9,938	0.2%	7,967	0.2%
1,258,113	100%	1,261,895	100%	1,254,100	100%	1,267,071	100%	1,212,288	100%	1,192,073	100%

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14[4]	2012-13	2011-12	2010-11
DEBT SERVICE EXPENDITURES:				
Principal	$ 184,106	$ 163,939	$ 150,689	$ 124,993
Interest	77,005	82,660	85,586	82,829
TOTAL DEBT SERVICE EXPENDITURES	$ 261,111	$ 246,599	$ 236,276	$ 207,822
Percent Change Over Previous Year	10.5%	4.4%	13.7%	7.1%
TOTAL NONCAPITAL EXPENDITURES	19,001,514	17,329,054	16,470,142	16,654,138
TOTAL CAPITAL EXPENDITURES	664,762	653,157	726,501	631,546
TOTAL GOVERNMENTAL EXPENDITURES	19,666,276	17,982,211	17,196,643	17,285,684
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.9%	0.9%	0.9%	0.7%
Interest	0.4%	0.5%	0.5%	0.5%
Total Debt Service Expenditures	1.4%	1.4%	1.4%	1.2%

TOTAL OUTSTANDING DEBT[1 2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2013-14	2012-13	2011-12	2010-11
Governmental Activities:				
Revenue Backed Debt	$ 443,881	$ 574,147	$ 739,138	$ 869,282
Certificates of Participation	1,267,869	1,192,193	1,018,456	897,632
Capital Leases	174,996	151,010	121,429	107,588
Notes and Mortgages	17,385	19,220	19,369	-
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,904,131	1,936,570	1,898,392	1,874,502
Business-Type Activities:				
Revenue Backed Debt	3,967,023	3,724,951	3,753,617	2,762,166
Certificates of Participation	403,761	403,603	420,951	430,537
Capital Leases	42,192	41,728	39,038	48,416
Notes and Mortgages	4,810	3,522	7,353	3,503
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,417,786	4,173,804	4,220,959	3,244,622
Total Primary Government:				
Revenue Backed Debt	4,410,904	4,299,098	4,492,755	3,631,448
Certificates of Participation	1,671,630	1,595,796	1,439,407	1,328,169
Capital Leases	217,188	192,738	160,467	156,004
Notes and Mortgages	22,195	22,742	26,722	3,503
TOTAL OUTSTANDING DEBT[1]	$ 6,321,917	$ 6,110,374	$ 6,119,351	$ 5,119,124
Percent Change Over Previous Year	3.3%	-0.1%	19.5%	-0.8%
Colorado Population (In Thousands) Restated for Census	5,268	5,273	5,188	5,118
Per Capita Debt (Dollars Per Person) Restated for Census	$1,200	$1,159	$1,180	$1,000
Per Capita Income (Thousands Per Person)	$46.9	$46.1	$46.3	$44.2
Per Capita Debt as a Percent of Per Capita Income	2.6%	2.5%	2.6%	2.3%

[1] – General Obligation Debt is prohibited by the State Constitution except to fund buildings for State use, to defend the State or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

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

2009-10	RESTATED 2008-09	2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05
$ 116,083	$ 109,801	$ 104,924	$ 100,681	$ 97,583	$ 15,574
77,919	78,719	102,652	112,145	106,322	98,829
$ 194,002	$ 188,520	$ 207,576	$ 212,826	$ 203,905	$ 114,403
2.9%	-9.2%	-2.5%	4.4%	78.2%	24.1%
16,566,769	15,448,232	14,196,496	13,365,782	12,586,379	11,298,334
478,179	359,518	242,572	233,914	228,077	244,178
17,044,948	15,807,750	14,439,068	13,599,696	12,814,456	11,542,512
0.7%	0.7%	0.7%	0.8%	0.8%	0.1%
0.5%	0.5%	0.7%	0.8%	0.8%	0.9%
1.2%	1.2%	1.4%	1.6%	1.6%	1.0%

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
$ 992,436	$ 1,106,973	$ 1,216,006	$ 1,319,718	$ 1,418,446	$ 1,512,987
689,973	162,053	172,864	183,203	196,475	63,332
97,130	91,813	60,031	30,456	17,482	22,308
515,000	515,000	460,000	345,000	415,000	520,000
2,294,539	1,875,839	1,908,901	1,878,377	2,047,403	2,118,627
2,306,693	3,551,588	3,325,690	2,935,383	2,304,485	2,063,378
432,698	446,656	210,150	218,916	260,578	75,729
83,374	93,773	93,374	68,621	60,724	90,140
43,925	4,771	6,211	9,463	6,946	9,402
2,866,690	4,096,788	3,635,425	3,232,383	2,632,733	2,238,649
3,299,129	4,658,561	4,541,696	4,255,101	3,722,931	3,576,365
1,122,671	608,709	383,014	402,119	457,053	139,061
180,504	185,586	153,405	99,077	78,206	112,448
558,925	519,771	466,211	354,463	421,946	529,402
$ 5,161,229	$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136	$ 4,357,276
-13.6% [3]	7.7%	8.5%	9.2%	7.4%	17.1%
5,048	4,972	4,890	4,804	4,720	4,632
$1,022	$1,201	$1,134	$1,064	$992	$941
$41.7	$41.5	$43.4	$42.2	$40.6	$38.4
2.5%	2.9%	2.6%	2.5%	2.4%	2.4%

3 – Decline was related to the CollegeInvest sale and retirement of bonds previously issued to support purchase and origination of student loans.

4 – Beginning in Fiscal Year 2013-14 debt liabilities are not offset by unamortized refunding gains or losses. With GASB Statement No. 65, these balances became deferred inflows and or outflows.

REVENUE BOND COVERAGE[1]
Last Ten Fiscal Years
(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2013-14	$ 1,240,588	$ 1,073,259	$ 167,329	$ 147,225	$ 20,104	$ 167,329	1.00
2012-13	1,204,153	938,787	167,128	132,105	35,023	167,128	1.00
2011-12	1,105,452	938,787	166,665	125,265	41,400	166,665	1.00
2010-11	1,162,586	994,596	167,990	119,385	48,605	167,990	1.00
2009-10	1,104,185	936,194	167,991	113,300	54,691	167,991	1.00
2008-09	980,992	813,000	167,992	107,795	60,197	167,992	1.00
2007-08	167,989	-	167,989	102,475	65,514	167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991	-	167,991	92,835	75,156	167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
Enterprise Funds (Excluding Higher Education): State Fair, CollegeInvest, Statewide Bridge Enterprise, and Unemployment Insurance[2]							
2013-14	$ 486,250	$ -	$ 486,250	$ 374,885	$ 30,620	$ 405,505	1.20
2012-13	608,493	-	608,493	499,845	40,965	540,810	1.13
2011-12	240,822	-	240,822	-	18,234	18,234	13.21
2010-11	74,280	-	74,280	-	8,408	8,408	8.83
2008-09	200,753	34,107	166,646	24,000	17,126	41,126	4.05
2007-08	351,308	126,788	224,520	155	41,492	41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
Higher Education Institutions							
2013-14	$ 1,170,939	$ 557,627	$ 613,312	$ 94,581	$ 138,121	$ 232,702	2.64
2012-13	1,122,003	537,630	584,373	80,330	131,356	211,686	2.76
2011-12	1,093,528	507,761	585,767	69,992	114,914	184,906	3.17
2010-11	1,025,079	487,781	537,298	64,345	110,488	174,833	3.07
2009-10	947,626	477,126	470,499	46,650	85,723	132,373	3.55
2008-09	846,389	450,057	396,332	40,965	69,195	110,160	3.60
2007-08	793,013	420,908	372,105	36,940	58,466	95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60
2005-06	649,238	376,431	272,807	29,365	45,699	75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60

[1] – Pledged revenues supporting the Governmental Funds TRANs include primarily federal grants under agreement with the Federal Highway Administration (FHWA). Before Fiscal Year 2009-10, pledged revenue also included a portion of sales and use tax revenues of the General Fund diverted to the Highway Users Tax Fund and the Highway Users Tax Fund revenues. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, were primarily student loan repayment amounts at CollegeInvest, which were used to make the required debt service payments. CollegeInvest's loan portfolio was sold in Fiscal Year 2009-10 and related bonds were sold or redeemed. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition. Pledged revenues supporting Unemployment Insurance bonds are from assessments on employers.

[2] – At the close of Fiscal Year 2009-10, neither CollegeInvest nor State Fair had any outstanding revenue bonds requiring pledged revenues amount to be reported. In Fiscal Year 2011-12, Unemployment Insurance issued revenue bonds requiring pledged revenues.

COLORADO DEMOGRAPHIC DATA
2005 to 2014

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 %
2014est	5,345	1.67%	$ 259.4	$ 48,529	105.6%	*	5.5%
2013	5,268	1.67	247.1	46,900	104.8%	2,568	6.8
2012	5,189	1.65	240.3	46,310	104.8%	2,531	7.8
2011	5,118	1.64	226.1	44,177	104.4	2,493	8.5
2010	5,048	1.63	210.5	41,700	103.9	2,478	9.0
2009	4,972	1.62	206.4	41,512	105.4	2,514	8.1
2008	4,890	1.61	212.1	43,374	106.1	2,599	4.8
2007	4,804	1.59	202.6	42,173	106.0	2,584	3.8
2006	4,720	1.58	191.7	40,614	106.5	2,541	4.3
2005	4,632	1.57	177.8	38,385	107.0	2,456	5.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment, State Demographer for the 2012 population estimate

* – Data is not available.

COLORADO EMPLOYMENT[1,2]
BY INDUSTRY
2005 to 2014
(AMOUNTS IN THOUSANDS)

Industry	2014est	2013 est	2012	2011	2010	2009	2008	2007	2006	2005
Natural Resources and Mining	31.1	30.1	30.3	27.9	24.4	24.2	28.5	25.2	21.1	17.2
Construction	138.0	121.3	115.8	112.2	115.1	131.3	161.8	167.8	167.8	160.0
Manufacturing	134.4	132.7	132.0	129.1	125.2	129.6	144.1	147.0	149.1	150.4
Transportation, Trade, and Utilities	429.0	419.9	408.8	402.3	397.8	403.8	429.3	429.2	419.3	413.0
Information	69.4	69.7	69.7	71.8	71.7	74.7	76.8	76.4	75.4	76.9
Financial Activities	153.5	150.8	146.2	143.8	144.0	148.0	155.6	159.5	160.4	158.5
Professional and Business Services	387.0	372.8	355.5	339.3	329.8	330.2	351.9	347.9	331.8	316.8
Educational and Health Services	298.8	290.8	281.9	273.4	264.6	257.2	250.5	240.4	231.2	224.6
Leisure and Hospitality	297.1	289.6	279.6	271.3	263.1	262.4	272.9	270.4	264.9	257.5
Other Services	99.3	97.3	95.5	93.0	92.5	93.7	94.8	92.9	90.8	88.5
Government	401.0	396.6	395.1	393.5	393.9	390.5	384.1	374.7	367.2	362.6
Total	2,438.6	2,377.3	2,310.4	2,257.6	2,222.1	2,245.6	2,350.3	2,331.4	2,279.0	2,226.0

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

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

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

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE
Last Ten Years
(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2014est	$ 7,388	$ 3,900	$ 3,800	$ 15,088
2013 est	5,940	3,400	3,800	13,140
2012	5,253	3,599	3,312	12,163
2011	3,363	3,932	2,289	9,584
2010	2,903	2,967	2,215	8,085
2009	2,501	3,126	1,648	7,275
2008	4,042	4,117	2,542	10,701
2007	7,417	5,260	2,004	14,681
2006	8,708	4,641	3,446	16,795
2005	8,803	4,221	1,788	14,812

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

COLORADO SALES AND GROSS FARMING REVENUES
Last Ten Years
(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2014 est	77.50	8.38
2013 est	73.8	8.44
2012	70.8	8.64
2011	66.7	8.48
2010	62.3	7.19
2009	58.3	6.80
2008	66.5	7.27
2007	67.3	7.48
2006	63.0	6.76
2005	58.7	6.76
2004	55.9	6.45

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1]
BY FUNCTIONS/PROGRAMS
Last Ten Years [2]

	2014	Restated 2013		Restated 2012	Restated 2011
GOVERNMENTAL ACTIVITIES:					
General Government:					
Funds	638	634		626	616
Employees (calculated Average Employment)	70,823	68,898		67,871	66,691
Balance in Treasury Pool (in millions)	$7,047.8	$7,106.9		$6,546.6	$6,076.2
Business, Community, and Consumer Affairs:					
Professional Licenses at Regulatory Agencies	750,306	729,328		705,205	703,695
Unemployment Rate (percent) [4]	5.5	6.8		7.8	8.5
Employment Level [4]	2,691,680	2,595,837		2,523,535	2,490,004
Education:					
Public Schools	1,824	1,823		1,806	1,786
Primary School Students	876,999	863,561		854,265	843,316
Health and Rehabilitation:					
Average Daily Population of Mental Health Institutes [3]	486	489		501	511
Average Daily Population of Regional Centers [3,5]	288	305		302	307
Justice:					
District Court Cases Filed [3]	289,965	247,696		238,766	190,531
County Court Cases Filed [3]	493,341	505,234		541,439	562,185
Inmate Admissions	9,620	9,597		9,116	9,935
Inmate Releases	10,506	10,506		10,657	10,161
Average Daily Inmate Population	20,551	20,812		22,009	22,814
Citations Issued by the State Patrol	121,504	127,939	6	130,651	149,015
Crashes Covered by the State Patrol	23,209	27,751	6	25,554	24,878
Natural Resources:					
Active Oil and Gas Wells [3]	50,350	47,916		45,300	45,500
Oil and Gas Drilling Permits [3]	4,300	5,100		4,800	5,250
Annual State Park Visitors [3]	11,556,388	12,461,261		12,651,919	12,463,495
Water Loans	289	277		281	288
Social Assistance:					
Medicaid Recipients [3]	809,452	687,473		613,148	553,407
Average Cash Assistance Payments per Month [3]	65,208	65,208		66,472	63,742
Transportation:					
Lane Miles	23,021,500	23,023,800		23,023,720	23,023,070
Bridges	3,443	3,438		3,447	3,447
BUSINESS-TYPE ACTIVITIES:					
Higher-Education:					
Resident Students [3]	155,748	159,206		160,944	160,160
Nonresident Students [3]	28,580	27,536		26,934	26,225
Unemployment Insurance:					
Individuals Served - Employment and Training [3]	552,303	636,977		585,724	615,548
Initial Unemployment Claims [3]	199,007	228,634		302,418	389,769
CollegeInvest:[7]					
Loans Issued or Purchased					
Average Balance per Loan					
Lottery:					
Scratch Tickets Sold	89,961,317	94,109,256		99,988,581	98,545,733
Lotto Tickets Sold	33,809,181	32,561,865		33,276,914	39,257,585
Powerball Tickets Sold	35,134,907	67,690,312		64,285,665	70,047,258
Other Lottery Tickets Sold	56,956,625	47,690,502		65,916,303	50,464,834
Wildlife:					
Hunting & Fishing Licenses Sold [3]	2,300,000	2,315,000		2,333,000	1,380,000
College Assist:					
Guaranteed Loans - In State	-	-		-	61,076
Guaranteed Loans - Out of State	-	-		-	4,961

Source: JBC Budget in Brief and various State departments.

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

2010	2009	2008	2007	2006	2005
601	593	556	515	492	484
65,325	64,535	61,915	59,873	58,468	58,046
$5,902.0	$5,663.2	$6,159.4	$5,250.7	$4,615.3	$3,951.1
702,498	679,836	640,332	575,124	576,982	517,597
9.0	8.1	4.8	3.8	4.3	5.1
2,475,831	2,511,189	2,599,724	2,583,404	2,541,828	2,455,773
1,817	1,769	1,771	1,771	1,731	1,667
832,368	818,443	802,639	794,026	780,708	766,657
554	569	548	528	539	539
329	378	403	403	403	403
188,822	191,749	199,681	189,884	187,498	*
562,570	554,165	579,069	552,592	547,143	*
10,704	10,992	11,038	10,625	10,168	9,433
11,033	10,803	10,565	10,110	8,954	8,249
22,980	23,210	22,887	22,424	21,438	20,228
170,988	170,570	221,544	226,324	234,052	246,918
24,123	26,159	27,260	28,277	28,648	30,645
45,000	36,000	35,000	34,000	30,000	25,300
5,000	7,400	6,780	4,200	3,800	2,200
11,666,912	13,680,012	11,272,418	11,475,000	11,869,897	11,190,201
278	269	258	255	244	241
476,632	381,390	383,784	429,233	446,341	375,410
58,119	57,200	62,647	66,728	68,822	68,150
22,982,320	23,060,630	23,036,480	22,999,470	23,105,769	23,029,858
3,447	3,429	3,406	3,775	3,757	3,754
146,531	136,900	135,275	136,108	140,601	141,692
24,869	23,166	22,069	20,670	21,380	22,729
652,570	350,000	300,000	270,000	270,000	240,000
408,644	120,074	119,561	120,290	132,337	176,270
	268,745 [7]	239,060	218,518	200,332	189,522
	$6,326 [7]	$6,328	$6,057	$5,546	$5,098
99,657,606	104,217,790	101,604,127	99,199,686	111,883,645	119,441,166
41,620,408	43,552,521	41,071,837	39,835,761	38,332,996	38,266,176
101,568,085	100,733,520	109,565,516	101,570,695	119,757,642	80,912,792
26,833,674	20,831,732	19,148,564	17,407,163	16,858,542	15,052,291
1,630,000	2,300,000	1,545,659	1,399,978	1,409,064	1,450,000
107,402	115,486	140,232	146,616	*	*
41,616	47,892	18,859	5,080	*	*

[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.
[5] – This represented Regional Center Residential Beds.
[6] – Calendar data through October 31, 2014.
[7] – CollegeInvest sold its loan portfolio during Fiscal Year 2009-10 due to a statutory change resulting from a change in the federal program
[8] –In Fiscal Year 2010-11, College Assist's Guaranteed Loans for In-State student decreased due to increased participation by State institutions in the federal direct lending program.

AVERAGE COUNT OF STATE EMPLOYEES BY FUNCTION AND AVERAGE MONTHLY EMPLOYEE SALARY
Last Ten Fiscal Years

	2013-14	2012-13	2011-12	2010-11
General Government	3,092	2,958	3,042	2,991
Business, Community, and Consumer Affairs	2,482	2,420	2,404	2,458
Education	41,501	40,218	39,097	38,038
Health and Rehabilitation	3,990	3,931	3,953	3,965
Justice	13,416	13,123	13,149	13,093
Natural Resources	1,579	1,586	1,597	1,579
Social Assistance	1,731	1,633	1,605	1,579
Transportation	3,032	3,029	3,024	2,988
TOTAL AVERAGE EMPLOYMENT	70,823	68,898	67,871	66,691
TOTAL CLASSIFIED	31,284	31,502	32,449	32,927
AVERAGE MONTHLY SALARY	$ 4,391	$ 4,284	$ 4,314	$ 4,324
TOTAL NON-CLASSIFIED	39,539	37,394	35,422	33,764
AVERAGE MONTHLY SALARY	$ 6,140	$ 5,953	$ 5,840	$ 5,786

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
2,399	2,454	2,392	2,322	2,255	2,219
2,564	2,437	2,372	2,335	2,342	2,367
37,093	36,042	34,469	33,464	32,680	32,664
4,019	3,944	3,865	3,774	3,729	3,681
12,848	13,000	12,467	11,791	11,372	11,083
1,607	1,587	1,583	1,522	1,485	1,472
1,704	1,671	1,656	1,593	1,520	1,462
3,091	3,400	3,111	3,072	3,085	3,098
65,325	64,535	61,915	59,873	58,468	58,046
32,799	32,820	31,995	31,075	30,677	30,967
$ 4,367	$ 4,390	$ 4,278	$ 4,108	$ 4,036	$ 3,955
32,526	31,715	29,920	28,798	27,791	27,079
$ 5,735	$ 5,723	$ 5,467	$ 5,214	$ 5,066	$ 4,926

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
2003 TO 2012

Mileage Type	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
CenterLine Miles[1]:										
Urban	1,385	1,385	1,385	1,389	1,398	1,400	1,398	1,419	1,411	1,421
Rural	7,718	7,720	7,720	7,720	7,748	7,744	7,736	7,742	7,737	7,736
TOTAL CENTERLINE MILES	9,103	9,105	9,105	9,109	9,146	9,144	9,134	9,161	9,148	9,157
Percent Change	0.0%	0.0%	0.0%	-0.4%	0.0%	0.1%	-0.3%	0.1%	-0.1%	0.0%
Lane Miles[2]:										
Urban	5,326	5,330	5,330	5,327	5,352	5,238	5,232	5,322	5,247	5,262
Rural	17,688	17,694	17,693	17,654	17,709	17,798	17,767	17,784	17,784	17,875
TOTAL LANE MILES	23,014	23,024	23,023	22,981	23,061	23,036	22,999	23,106	23,031	23,137
Percent Change	0.0%	0.0%	0.2%	-0.3%	0.1%	0.2%	-0.5%	0.3%	-0.5%	0.3%
Roadways[3]:										
Percent Rated Good/Fair	79	47	48	48	50	53	59	63	65	61
Percent Rated Poor	21	53	52	52	50	47	41	37	35	39
TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100

Source: Colorado Department of Transportation

1 – Centerline miles measure roadway miles without accounting for the number of lanes.

2 – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

3 – In 2013, CDOT changed the overall metric by which pavement condition is measured. The new measure is based on Drivability Life, which identifies how long a pavement will last until the user experience becomes unacceptable. In 2013, the Statewide pavement condition was rated as 82 percent High/Moderate.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2004 to 2013

Functional Classification	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Principal Arterial[1]	1,114	1,294	1,303	1,299	1,376	1,368	1,341	1,686	1,678	1,680
Other Principal Arterial	1,199	793	791	785	801	794	795	911	884	943
Minor Arterial	667	747	749	752	759	761	773	802	798	787
Collector	391	443	442	446	431	426	404	350	368	319
Local	72	161	162	165	80	80	93	26	29	25
TOTAL BRIDGES	3,443	3,438	3,447	3,447	3,447	3,429	3,406	3,775	3,757	3,754
Percent Change	0.1%	-0.3%	0.0%	0.0%	0.5%	0.7%	-9.8%	0.5%	0.1%	1.1%
Percent Rated Poor[2]	5.70	5.90	3.60	5.53	5.48	5.62	6.21	5.81	5.61	3.39

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.

2 – In 2013, CDOT changed the overall metric for assessing bridges due to Public Law 112-141. The focus is now on Structurally Deficient bridges. In 2013, CDOT reported 5.9 percent of State owned bridges as Structurally Deficient.

BUILDING SQUARE FOOTAGE
OWNED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Seven Years[2]

	2014	2013	Restated 2012	Restated 2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES:							
General Government	3,898,443	3,449,893	3,197,325	3,069,547	3,043,068	2,549,944	2,982,413
Business, Community, and Consumer Affai	1,462,694	1,091,423	980,198	980,198	980,198	981,809	937,389
Education	327,394	327,394	327,394	326,602	317,894	317,884	317,884
Health and Rehabilitation	1,371,986	1,407,882	1,522,278	1,476,587	1,489,338	1,365,606	1,561,507
Justice	8,797,346	8,170,861	8,428,687	8,404,174	8,398,319	8,103,126	8,047,872
Natural Resources	105,952	105,952	105,952	1,729,810	1,729,810	1,210,477	1,672,897
Social Assistance	1,794,333	1,791,521	1,787,266	1,836,385	1,824,175	1,700,847	1,351,964
Transportation	3,373,967	3,362,781	3,278,758	3,207,047	3,206,451	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:							
Higher Education	50,215,173	49,016,072	48,013,242	47,701,898	46,277,915	44,026,204	41,437,896
Parks and Wildlife	2,811,609	2,811,609	2,811,609	1,131,841	1,109,004	1,065,240	901,526
TOTAL	74,158,897	71,535,388	70,452,709	69,864,089	68,376,172	63,896,558	61,786,769

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

BUILDING SQUARE FOOTAGE
LEASED BY THE PRIMARY GOVERNMENT
BY FUNCTIONS/PROGRAMS
Last Seven Years[2]

	2014	2013	2012	2011	2010	2009
GOVERNMENTAL ACTIVITIES:						
General Government	169,970	200,900	226,201	210,576	276,602	288,210
Business, Community, and Consumer Aff	604,185	597,182	575,591	585,944	517,447	515,708
Education	47,926	47,645	39,804	31,999	28,531	19,440
Health and Rehabilitation	475,010	473,230	465,649	458,959	455,218	420,272
Justice	412,286	310,551	321,920	463,506	857,026	868,060
Natural Resources	91,162	78,937	73,375	81,926	65,735	73,546
Social Assistance	74,451	61,001	51,404	56,881	55,801	34,459
BUSINESS-TYPE ACTIVITIES:						
Higher Education	1,613,516	1,530,285	1,536,160	1,358,597	1,199,672	1,243,524
CollegeInvest	11,397	11,397	7,517	8,544	18,983	15,318
Lottery	71,104	71,104	74,104	66,684	59,915	61,682
Parks and Wildlife	76,448	76,448	79,112	73,064	73,064	15,267
College Assist	8,825	8,825	8,825	10,139	12,807	12,807
TOTAL	3,656,280	3,467,505	3,459,662	3,406,819	3,620,801	3,568,293

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

[2] – Data not available prior to 2008.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present State and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38th state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy's permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine –
Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil – Stegosaurus

State Pet – Shelter and Rescue Dog and Cat

State Songs – "Where the Columbines Grow" and
"Rocky Mountain High"

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

State Reptile – Western Painted Turtle

State Amphibian – Western Tiger Salamander

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

State Cactus – Claret Cup

APPENDIX F

CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in Colorado as of the dates indicated. See also "INTRODUCTION – State Economic and Demographic Information." The statistics have been obtained from the referenced sources and represent the most current information available as of June 2015 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 B – THE STATE GENERAL FUND – Revenue Estimation; OSPB Revenue and Economic Forecasts" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

Overview

Colorado, the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State – which includes the Rocky Mountains and the Western Slope – includes many acres of national park and forest land and significant reserves of minerals, natural gas and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State's capital, is the economic center of the State and the Rocky Mountain region. About 56% of the State's population and 62% of its jobs are located in the Denver/Boulder metropolitan area, which is a hub for transportation, communication, financial activities and professional and business services. The aerospace, bioscience and energy industries are also key contributors to economic growth in the Denver/Boulder metropolitan area and the State as a whole.

The State's economic performance depends heavily on economic performance at the national level. See also "APPENDIX B – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts" and "APPENDIX C – OSPB SEPTEMBER 2015 REVENUE FORECAST."

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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
2004	4.6	1.2%	292.8	0.9%
2005	4.7	1.2%	295.5	0.9%
2006	4.7	1.8%	298.4	1.0%
2007	4.8	1.6%	301.2	1.0%
2008	4.9	1.7%	304.1	1.0%
2009	5.0	1.5%	306.8	0.9%
2010	5.0	1.5%	309.3	0.8%
2011	5.1	1.3%	311.6	0.7%
2012	5.2	1.4%	313.9	0.7%
2013	5.3	1.5%	316.1	0.7%
2014	5.4	1.6%	318.7	0.8%

Note: Figures for 2004 through 2013 are estimates. The U.S. 2014 count is an estimate, and the 2014 count for Colorado is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

The following table provides the age distribution for the most recent year available for the State's population and the population nationwide.

Age Distribution, July 1

	Colorado, 2014		United States, 2013	
	Population (millions)	% of total	Population (millions)	% of total
Under 18	1.26	23.6%	73.59	23.3%
18 to 24	0.52	9.8%	31.46	10.0%
25 to 44	1.48	27.7%	83.30	26.3%
45 to 64	1.40	26.2%	83.08	26.3%
65+	0.68	12.8%	44.70	14.1%
Total	5.35	100.0%	316.13	100.0%
Median Age	36.9		37.6	

Note: Totals may not add due to rounding. The U.S. 2013 count is an estimate, and the Colorado 2014 count is a forecast.
Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

Income

The following table provides annual per capita personal income figures for Colorado, the Rocky Mountain Region, and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
	Income	% Change	Income	% Change	Income	% Change
2010	$41,689		$37,503		$40,144	
2011	$44,183	6.0%	$39,758	6.0%	$42,332	5.5%
2012	$46,315	4.8%	$41,748	5.0%	$44,200	4.4%
2013	$46,897	1.3%	$42,391	1.5%	$44,765	1.3%
2014	$48,730	3.9%	$43,935	3.6%	$46,129	3.0%

[1]Per capita personal income is total personal income divided by the July 1 population estimate.
[2]The Rocky Mountain Region includes Colorado, Idaho, Montana, Utah, and Wyoming.
Source: U.S. Bureau of Economic Analysis.

Employment

The following table provides labor force, total employment, and unemployment statistics for the State.

Civilian Labor Force, Total Employment, and Unemployment Rates, Not Seasonally Adjusted

	Colorado Civilian Labor Force (thousands)	% Change	Colorado Total Employment (thousands)[1]	% Change	Annual Average Unemployment Rate	
					Colorado	United States
2010	2,724.4		2,486.4		8.7%	9.6%
2011	2,734.4	0.4%	2,507.8	0.9%	8.3%	8.9%
2012	2,757.1	0.8%	2,542.5	1.4%	7.8%	8.1%
2013	2,779.6	0.8%	2,590.6	1.9%	6.8%	7.4%
2014	2,817.3	1.4%	2,675.9	3.3%	5.0%	6.2%
Year-to-date averages through March:						
2014	2,792.7		2,617.0		6.3%	6.9%
2015	2,816.9	0.9%	2,686.3	2.6%	4.6%	5.8%

[1]Includes the self-employed, unpaid family workers, and other groups not included in statistics that show employment by industry.
Sources: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Statistics from the Current Population Survey.

The following table shows Colorado employment by industry for the past five years. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

Average Annual Number of Employees by Industry

Industry	2010	2011	2012	2013	2014	Most Recent Quarter 2013Q4	2014Q4	% Change
Private Sector								
Agriculture, Forestry, Fishing, and Hunting	13,670	14,015	14,513	14,348	14,935	14,038	14,600	4.0%
Mining	24,232	27,789	30,225	30,433	33,847	31,479	35,793	13.7%
Utilities	8,266	8,138	8,037	7,832	8,140	7,929	8,177	3.1%
Construction	115,111	112,232	115,753	127,597	142,140	135,361	147,387	8.9%
Manufacturing	125,499	129,165	131,978	132,691	136,216	133,721	138,528	3.6%
Wholesale Trade	90,853	92,192	94,262	96,636	99,825	97,873	101,920	4.1%
Retail Trade	236,726	239,985	243,699	249,235	254,942	257,204	262,906	2.2%
Transportation and Warehousing	57,134	57,863	59,850	62,398	65,180	64,017	67,077	4.8%
Information	71,694	71,950	69,733	69,817	70,001	69,841	69,976	0.2%
Finance and Insurance	98,229	98,056	99,754	103,136	103,623	103,770	104,616	0.8%
Real Estate and Rental and Leasing	41,348	41,194	41,895	42,849	44,497	43,409	45,573	5.0%
Professional and Technical Services	167,505	172,096	178,313	188,984	196,684	191,772	201,097	4.9%
Management of Companies and Enterprises	28,818	29,914	31,761	34,591	35,406	34,832	35,752	2.6%
Administrative and Waste Services	133,522	137,331	145,383	148,745	154,121	152,220	158,222	3.9%
Educational Services	28,979	30,145	31,494	31,997	32,965	32,652	33,352	2.1%
Health Care and Social Assistance	232,262	239,967	246,951	250,654	261,428	255,261	267,586	4.8%
Arts, Entertainment, and Recreation	44,621	45,564	46,704	47,166	48,978	44,330	46,008	3.8%
Accommodation and Food Services	217,976	225,702	232,875	242,100	251,052	240,421	250,578	4.2%
Other Services	65,278	66,134	67,988	69,554	72,443	69,462	73,627	6.0%
Unclassified	434	492	745	1,388	2,783	2,654	1,884	-29.0%
Government	374,911	373,154	374,628	383,637	388,566	388,247	394,195	1.5%
Total*	**2,177,069**	**2,213,075**	**2,266,539**	**2,335,786**	**2,417,769**	**2,370,492**	**2,458,854**	**3.7%**

*Industry employment levels may not add to total due to rounding.
Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages.

The following table shows the largest private sector employers in Colorado based on the most current information available as of May 2015. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the state. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the State that are not included in the table.

Estimated Largest Private Sector Employers in Colorado

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	General Merchandise	26,330
The Kroger Co. (King Soopers/City Market)	Supermarkets	20,300
University of Colorado Health[2]	Healthcare	15,000
Centura Health	Healthcare	11,980
HealthONE LLC	Healthcare	11,050
Lockheed Martin	Aerospace & Defense Related Systems	8,560
SCL Health System	Healthcare	8,270
Home Depot	Building Materials Retailer	7,500
Target Corporation	General Merchandise	7,200
Kaiser Permanente	Health Maintenance Organization	7,000
CenturyLink	Telecommunications	6,900
Comcast Corporation	Telecommunications	6,500
Vail Resorts	Leisure & Hospitality	6,300
Wells Fargo	Banking/Financial Services	6,170
Children's Hospital Colorado	Healthcare	5,740
United Airlines	Air Transportation	4,900
Banner Health	Healthcare	4,790
University of Denver	Private University	4,230
Oracle Corporation	Software & Network Computer Systems	4,200
IBM Corporation	Computer Systems & Services	4,200
FedEx Corp.	Transportation, E-commerce	4,100
DISH Network LLC	Satellite TV & Equipment	4,000
United Parcel Service	Delivery Services	4,000
Xcel Energy	Utility	3,900
JBS Swift & Company	Beef Processing/Corporate Office	3,900

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for the University of Colorado System (next table).
Source: Compiled by Development Research Partners from various sources, May 2015.

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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 2015.

Estimated Largest Public Sector Employers in Colorado

Employer	Estimated Employees[1]
State of Colorado	47,610
Federal Government (except USPS)	43,010
University of Colorado System[2]	19,100
Denver Public Schools	15,150
City & County of Denver	11,240
Jefferson County Public Schools	11,100
U.S. Postal Service	9,660
Cherry Creek School District No 5	7,650
Colorado State University	7,200
Douglas County School District RE-1	7,010
Aurora Public Schools	6,090
Denver Health	5,520
Adams 12 Five Star Schools	5,310
Colorado Springs School District 11	4,700
Boulder Valley School District RE-2	4,410
Poudre School District R-1	4,300
City of Aurora	3,960
St. Vrain Valley School District RE-1J	3,400
Academy Schools District No 20	3,300
Mesa County Valley School District 51	3,100
Jefferson County	2,820
Regional Transportation District (RTD)	2,650
Thompson School District R2J	2,600
City of Colorado Springs	2,500
Metropolitan State University of Denver	2,050

[1]Includes both full- and part-time employees.
[2]Some workers are also included in the employment count for University of Colorado Health (previous table).
Source: Compiled by Development Research Partners from various sources, May 2015.

Retail Sales

The following table provides recent annual sales figures as reported for state sales tax purposes.

Colorado Gross and Retail Sales

	Gross Sales		Retail Sales	
	Amount (billions)	% Change	Amount (billions)	% Change
2009	$184.52		$134.17	
2010	$199.62	8.2%	$144.85	8.0%
2011	$213.62	7.0%	$155.05	7.0%
2012	$225.12	5.4%	$164.57	6.1%
2013	$234.06	4.0%	$171.36	4.1%
Year-to-date totals through June:				
2013	$105.04		$80.37	
2014	$112.03	6.7%	$84.50	5.1%

Source: Colorado Department of Revenue.

The following table provides retail sales totals by industry for the past five years and year-to-date.

Colorado Retail Sales by Industry (millions) and Percentage Change from Prior Year

											Year-to-date totals through June		
Industry	**2009**	**% Change**	**2010**	**% Change**	**2011**	**% Change**	**2012**	**% Change**	**2013**	**% Change**	**2013**	**2014**	**% Change**
Agriculture/Forestry/Fishing	283.6	-6.7%	336.3	18.6%	411.7	22.4%	406.2	-1.3%	394.4	-2.9%	143.9	169.5	17.8%
Mining	2,226.4	-34.8%	2,531.7	13.7%	3,111.7	22.9%	3,815.6	22.6%	4,605.7	20.7%	2,023.7	2,657.4	31.3%
Utilities	6,706.0	-5.5%	10,370.1	54.6%	7,353.2	-29.1%	7,332.9	-0.3%	7,612.2	3.8%	3,786.3	3,983.3	5.2%
Construction	2,807.3	-25.5%	2,756.3	-1.8%	2,829.3	2.6%	3,396.0	20.0%	3,454.0	1.7%	1,473.7	1,820.1	23.5%
Manufacturing	9,217.6	-21.6%	10,423.9	13.1%	15,909.3	52.6%	18,192.1	14.3%	19,198.7	5.5%	8,553.5	8,806.6	3.0%
Wholesale Trade	11,891.4	-17.9%	12,422.0	4.5%	13,084.9	5.3%	14,012.4	7.1%	15,003.3	7.1%	6,164.2	6,606.3	7.2%
Retail Trade													
Motor Vehicle and Auto Parts	10,255.3	-15.6%	11,293.5	10.1%	12,986.8	15.0%	14,435.4	11.2%	15,649.1	8.4%	7,461.8	8,172.7	9.5%
Furniture and Furnishings	1,893.8	-19.5%	1,900.9	0.4%	2,049.0	7.8%	2,265.5	10.6%	2,451.3	8.2%	1,139.8	1,218.4	6.9%
Electronics and Appliances	1,984.5	-11.6%	2,118.6	6.8%	2,224.2	5.0%	2,077.8	-6.6%	1,989.6	-4.2%	903.0	1,005.2	11.3%
Building Materials/Nurseries	4,200.7	-20.5%	4,388.6	4.5%	4,515.0	2.9%	4,824.6	6.9%	5,291.3	9.7%	2,578.2	2,852.9	10.7%
Food/Beverage Stores	12,557.6	-2.9%	13,363.7	6.4%	14,433.2	8.0%	15,298.5	6.0%	15,713.9	2.7%	7,346.7	7,629.8	3.9%
Health and Personal Care	2,350.2	3.6%	2,529.7	7.6%	2,712.1	7.2%	2,886.9	6.4%	3,097.6	7.3%	1,462.8	1,703.0	16.4%
Gas Stations	4,002.1	-30.6%	4,693.2	17.3%	5,778.1	23.1%	6,011.1	4.0%	5,918.1	-1.5%	2,904.5	2,854.1	-1.7%
Clothing and Accessories	2,892.9	-6.9%	3,118.0	7.8%	3,337.4	7.0%	3,510.2	5.2%	3,556.0	1.3%	1,618.8	1,688.6	4.3%
Sporting/Hobby/Books/Music	2,367.6	-8.2%	2,487.1	5.0%	2,680.6	7.8%	2,674.0	-0.2%	2,757.5	3.1%	1,312.4	1,357.3	3.4%
General Merchandise/Warehous	10,973.6	-3.2%	11,091.0	1.1%	11,722.3	5.7%	12,185.7	4.0%	12,402.4	1.8%	5,779.7	5,871.5	1.6%
Misc Store Retailers	2,204.6	-6.8%	2,448.6	11.1%	2,938.6	20.0%	3,147.8	7.1%	3,626.7	15.2%	1,610.2	1,943.9	20.7%
Non-Store Retailers	2,794.2	-35.0%	2,337.7	-16.3%	1,550.2	-33.7%	1,456.0	-6.1%	1,548.7	6.4%	718.2	805.0	12.1%
Total Retail Trade	**58,477.1**		**61,770.7**	**5.6%**	**66,927.5**	**8.3%**	**70,773.7**	**5.7%**	**74,002.3**	4.6%	**34,836.1**	**37,102.5**	**6.5%**
Transportation/Warehouse	585.7	-22.5%	528.9	-9.7%	593.1	12.1%	710.2	19.7%	822.3	15.8%	379.5	422.3	11.3%
Information	7,044.4	0.9%	6,889.0	-2.2%	6,321.8	-8.2%	6,242.2	-1.3%	5,790.3	-7.2%	2,880.3	2,669.6	-7.3%
Finance/Insurance	2,845.4	-7.8%	3,207.3	12.7%	3,085.9	-3.8%	3,130.7	1.5%	2,335.9	-25.4%	1,618.2	794.5	-50.9%
Real Estate/Rental/Lease	2,903.0	-19.5%	2,916.5	0.5%	3,154.3	8.2%	3,240.7	2.7%	3,533.0	9.0%	1,694.1	2,001.3	18.1%
Professional/Scientific/Technical	6,059.6	-11.7%	6,553.9	8.2%	6,768.8	3.3%	6,818.2	0.7%	7,146.5	4.8%	3,124.9	2,898.0	-7.3%
Admin/Support/Waste/Remediatio	1,794.7	-8.2%	1,823.3	1.6%	1,882.7	3.3%	1,866.1	-0.9%	1,968.8	5.5%	935.5	948.1	1.3%
Education	421.8	-8.6%	480.0	13.8%	487.1	1.5%	490.8	0.8%	463.3	-5.6%	220.8	216.7	-1.8%
Health Care/Social Assistance	5,740.5	8.8%	6,000.4	4.5%	6,222.6	3.7%	6,318.5	1.5%	6,466.4	2.3%	3,345.4	3,520.6	5.2%
Arts/Entertainment/Recreation	903.8	-7.0%	955.8	5.8%	987.2	3.3%	1,036.6	5.0%	1,095.9	5.7%	545.6	575.1	5.4%
Accommodation	2,566.9	-15.4%	2,719.2	5.9%	3,014.9	10.9%	3,199.2	6.1%	3,368.7	5.3%	1,641.1	1,813.2	10.5%
Food/Drinking Services	7,976.5	-3.1%	8,333.8	4.5%	8,876.4	6.5%	9,474.1	6.7%	9,900.9	4.5%	4,866.0	5,232.9	7.5%
Other Services	3,472.6	-9.2%	3,565.9	2.7%	3,763.6	5.5%	3,867.8	2.8%	3,948.5	2.1%	2,016.6	2,136.9	6.0%
Government	242.5	-2.9%	262.4	8.2%	268.2	2.2%	244.5	-8.8%	251.2	2.7%	116.4	121.2	4.1%
Total All Industries	**134,166.8**		**144,847.3**	**8.0%**	**155,054.2**	**7.0%**	**164,568.4**	**6.1%**	**171,362.0**	4.1%	**80,365.7**	**84,496.1**	**5.1%**

Source: Colorado Department of Revenue.

Tourism

The following table provides visitor counts for the State's national parks and major recreation areas, Denver area convention attendance figures, and visitor counts for Colorado ski areas.

Colorado Tourism Statistics

	National Parks Visits[1]		**Conventions**[2]						**Skier Visits**[3]	
			Conventions		*Delegates*		*Spending*			
	Number (millions)	**% Change**	**Number**	**% Change**	**Number (thousands)**	**% Change**	**Amount (millions)**	**% Change**	**Number (millions)**	**% Change**
2010	5.64		75		267.6		$533.1		11.86	
2011	5.82	3.3%	82	9.3%	283.2	5.8%	$564.2	5.8%	12.28	3.5%
2012	5.81	-0.1%	98	19.5%	266.1	-6.0%	$530.1	-6.0%	11.02	-10.3%
2013	5.39	-7.2%	84	-14.3%	265.7	-0.2%	$529.3	-0.2%	11.45	3.9%
2014	6.03	11.8%	76	-9.5%	289.3	8.9%	$576.3	8.9%	12.60	10.1%

[1]Count of recreational visitors for all of the State's National Parks Service territories, which include national parks, monuments, historic sites, and recreation areas.
[2]Includes only those conventions booked by VISIT DENVER and held at the Colorado Convention Center.
[3]Count of skier visits for the season ending in the referenced year.
Sources: National Parks Service; VISIT DENVER, The Convention and Visitor's Bureau; Colorado Ski Country USA; Vail Resorts, Inc.

Residential Housing Starts

The following table provides a five-year history of the State's residential building permit issuance.

New Privately Owned Housing Units Authorized in Colorado

	1 Unit	2 Units	3 & 4 Units	5+ Units	Total Building Permits	% Change
2010	8,790	276	136	2,389	11,591	
2011	8,723	266	127	4,386	13,502	16.5%
2012	12,617	304	97	10,283	23,301	72.6%
2013	15,772	408	148	11,189	27,517	18.1%
2014	17,095	532	146	10,913	28,686	4.2%
Year-to-date totals through April:						
2014	5,699	148	43	3,506	9,396	
2015	5,781	186	69	2,966	9,002	
% change	*1.4%*	*25.7%*	*60.5%*	*-15.4%*	*-4.2%*	

Source: U.S. Census Bureau.

Residential Foreclosures

The following table provides a five-year history of foreclosure filings and sales in Colorado. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure.

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

Foreclosure Filings and Sales in Colorado

	Foreclosure Filings[1]	% Change	Foreclosure Sales at Auction	% Change
2010	42,692		23,891	
2011	31,975	-25.1%	19,617	-17.9%
2012	28,579	-10.6%	15,903	-18.9%
2013	15,333	-46.3%	9,318	-41.4%
2014	11,234	-26.7%	6,000	-35.6%

[1]Some filings may have been subsequently cured or withdrawn and may not have resulted in sales at auction.
Source: Colorado Division of Housing.

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APPENDIX G

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 Underwriter 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 2015 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 2015 Certificates, (iv) any consent given or other action taken by DTC or its nominee as the owner of Series 2015 Certificates or (v) any other related matter.

DTC will act as securities depository for the Series 2015 Certificates. The Series 2015 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Certificate for each maturity of the Series 2015 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 2015 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 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 2015 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 2015 Certificates except in the event that use of the book-entry system for the Series 2015 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 2015 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Certificates, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2015 Certificates may wish to ascertain that the nominee holding the Series 2015 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 2015 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 2015 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Series 2015 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 2015 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 2015 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 2015 Certificate certificates are required to be printed and delivered to the appropriate registered owners of the Series 2015 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 2015 Certificates. In that event, Series 2015 Certificate certificates will be printed and delivered to DTC.

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$9,915,000
State of Colorado
Bureau of Investigation
Grand Junction Regional Facility Lease Purchase Agreement
Certificates of Participation, Series 2015

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is delivered by the State of Colorado (the "State"), acting by and through the State Treasurer, in connection with the execution and delivery of the captioned certificates of participation (the "Series 2015 Certificates") evidencing assignments of proportionate interests in the right to receive certain payments payable under the annually renewable State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement, dated as of September 29, 2015 (the "Lease"), entered by and between UMB Bank, n.a., as Trustee under the State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Indenture of Trust, dated as of September 29, 2015 (the "Indenture"), as lessor, and the State, acting by and through the State Treasurer, as lessee. The Series 2015 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 Undertaking**. This Disclosure Undertaking is being executed and delivered by the State for the benefit of the Owners of the Series 2015 Certificates and in order to allow the Participating Underwriter (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 Undertaking 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 set forth in "APPENDIX B – THE STATE GENERAL FUND" and "APPENDIX D – 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 Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, with a portal at http://emma.msrb.org.

"Official Statement" means the final Official Statement delivered in connection with the original offering and sale of the Series 2015 Certificates.

"Owner of the Series 2015 Certificates" means the registered owner of the Series 2015 Certificates, and so long as the Series 2015 Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2015, and annually while the Series 2015 Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will be provided when available but in no event later than 270 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided as soon as they are available.

(c) The State may provide Annual financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the 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 Series 2015 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 Series 2015 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 Series 2015 Certificates, or other material events or events affecting the tax status of the Series 2015 Certificates.

7. Modifications to the rights of the security holders, if material.

8. Certificate calls (other than mandatory sinking fund redemption), if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person (as defined in Rule 15c2-12).

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) At any time when the Series 2015 Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if any Event under paragraphs 2, 7, 8 (with respect to calls, but not tender offers), 10, 13 or 14 of subsection 4(a) would constitute material information for Owners of Certificates.

(c) At any time the Series 2015 Certificates are outstanding, the State shall provide, in a timely manner after the occurrence thereof, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

Section 5. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Undertaking 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 Undertaking, 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 Undertaking shall be in effect from and after the execution and delivery of the Series 2015 Certificates and shall extend to the earliest of: (a) the date all principal and interest on the Series 2015 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 Series 2015 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 Series 2015 Certificates, which determination shall be evidenced by an opinion of an attorney selected by the State, a copy of which opinion shall be given to the representative of the Participating Underwriter. The State shall file or cause to be filed a notice of any such termination with the MSRB.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the State may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking 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 Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking 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 Undertaking; 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 Undertaking, the State shall have no obligation under this Disclosure Undertaking 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 Undertaking, any Owner of the Series 2015 Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Undertaking; 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 Series 2015 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 Undertaking, 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 UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE LEASE, THE INDENTURE OR THE SERIES 2015 CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

Section 10. Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the State, the Participating Underwriter and Owners from time to time of the Series 2015 Certificates, and shall create no rights in any other person or entity

Date: September 29, 2015

STATE OF COLORADO,
acting by and through the State Treasurer

By:____
Jonathan Forbes, Deputy State Treasurer

APPENDIX I

FORM OF OPINION OF SPECIAL COUNSEL

DINSMORE & SHOHL LLP
DENVER, COLORADO

[Closing Date]

The Honorable Walker Stapleton,
Treasurer of the State of Colorado
UMB Bank, n.a., as Trustee
Stifel, Nicolaus & Company, Incorporated

Re: $9,915,000 State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement Certificates of Participation, Series 2015

Ladies and Gentlemen:

We have acted as special counsel to the State of Colorado, acting by and through the State Treasurer (the "State"), in connection with the annually renewable State of Colorado Bureau of Investigation Grand Junction Regional Facility Lease Purchase Agreement, dated the date hereof (the "Lease"), entered into by the State, as lessee, and UMB Bank, n.a., Denver, Colorado (the "Trustee"), solely in its capacity as trustee under the State of Colorado Bureau of Investigation Grand Junction Regional Facility Indenture of Trust, dated the date hereof (the "Indenture"), entered into by the Trustee, as lessor, and in connection with the execution and delivery by the Trustee on the date hereof of the captioned certificates of participation (the "Series 2015 Certificates") pursuant to the Indenture. Capitalized terms used herein have the same meanings as in the Lease and the Indenture.

The Lease is being entered under the authority granted by Senate Bill 15-207 enacted by the Colorado General Assembly in the First Regular Session of the Seventieth General Assembly of the State of Colorado. The Series 2015 Certificates evidence proportionate interests in the right to receive the Base Rentals paid by the State under the Lease and certain other amounts comprising the Revenues as defined in the Indenture, and have such other terms as provided therein and in the Indenture.

In our capacity as special counsel, and in order to render the opinion expressed herein, we have examined: the constitution and the laws of the State of Colorado, including Senate Bill 15-207; the Lease, the Indenture, the Series 2015 Certificates, the Site Lease (pursuant to which the Leased Property has been leased to the Trustee by the State of Colorado, acting by and through the Department of Public Safety (the "Department") for the use and benefit of the Colorado Bureau of Investigation), the Sublease (pursuant to which the Leased Property has been subleased by the State to the Department for the use and benefit of the Colorado Bureau of Investigation) and the various other documents executed and delivered by the State, the Trustee, the Department and others in connection with the execution and delivery of the Series 2015 Certificates; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraphs 4 and 5 below; the Tax Compliance Certificate delivered in connection with the execution and delivery of the Series 2015 Certificates stating the reasonable expectations of the State and the Department as of the date of execution and delivery of the Series 2015 Certificates as to future events that are material for purposes of Sections 103 and 148 of the Code; and such other documents, opinions, certificates and other instruments as we have deemed necessary. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the documents examined without undertaking to verify the same by independent investigation. We have also relied upon, and assumed the correctness of the legal conclusions stated in, the opinion of the Attorney General of the State of Colorado delivered in connection with the execution and delivery of the Series 2015 Certificates with respect to the authorization, execution and delivery of the Site Lease, the Lease, the Sublease and the Tax Compliance Certificate, the enforceability of the Site Lease, the Sublease and the Tax Compliance Certificate against the State (but not the enforceability of the Lease) and other matters.

Based upon, subject to and limited by the foregoing, we are of the opinion, under existing law and as of the date hereof, 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, assuming the due execution thereof by the Trustee, constitutes the valid and legally binding obligation of the State enforceable against the State in accordance with its terms.

3. Assuming the due execution of the Indenture and the Series 2015 Certificates by the Trustee, the Series 2015 Certificates evidence valid and binding proportionate interests in the right to receive the Base Rentals paid by the State under the Lease and certain other Revenues.

4. Under the laws and regulations of the United States of America as presently enacted and construed, the Interest Portion of Base Rentals paid by the State and received by the owners of the Series 2015 Certificates (herein the "Interest") is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax, except that we express no opinion herein with respect to the effect of nonrenewal or termination of the Lease upon the federal income tax treatment of moneys received under the Lease subsequent to such nonrenewal or termination. The opinions set forth in the preceding sentence assume the accuracy of certain representations and compliance by the State, the Department and the Trustee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the execution and delivery of the Lease and the Series 2015 Certificates. Failure to comply with such requirements could cause the Interest to be includable in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of execution and delivery of the Series 2015 Certificates. The State, the Department and the Trustee have covenanted to comply with such requirements in the Lease, the Sublease, the Indenture and the Tax Compliance Certificate. We express no opinion regarding other federal tax consequences arising with respect to the Lease and the Series 2015 Certificates. We note, however, that the Interest is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

5. To the extent the Interest is excludable from gross income for federal income tax purposes, such Interest is not subject to income taxation by the State of Colorado, except that we express no opinion herein with respect to the effect of nonrenewal or termination of the Lease upon income tax treatment by the State of Colorado of any moneys received under the Lease subsequent to such nonrenewal or termination. We also express no opinion regarding other tax consequences arising with respect to the Lease and the Series 2015 Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the owners of the Series 2015 Certificates and the enforceability of the Lease may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of powers delegated to it by the United States Constitution.

This opinion is limited to the matters specifically addressed herein. We express no opinion herein with respect to, among other things: real estate matters; the enforceability of the Site Lease, the Lease, the Indenture or the Series 2015 Certificates against the Trustee; the enforceability of the Site Lease against the Department; the enforceability of the Sublease against the State or the Department; the creditworthiness or financial condition of the State, the Trustee, the Department or any other person; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Lease. We also express no opinion herein with respect to the accuracy or completeness of any documents prepared or used or statements made in connection with the offering or sale of the Series 2015 Certificates.

This opinion is rendered as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The State is our sole client in this transaction, and we have not been engaged by, nor have we undertaken to advise, any other party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of the addressees hereof and may not be circulated, quoted or relied upon by any party other than the addressees without our prior written consent, except that a copy may be included in the closing transcripts for the Series 2015 Certificates. The inclusion of addressees of this opinion letter other than the State does not create or imply an attorney-client relationship between Dinsmore & Shohl LLP and any such other addressee.

Respectfully submitted,

* * *

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